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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, AND CERTAIN INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

PART 1—(Pages 1-801)

AMERICAN BATTLE MONUMENTS COMMISSION
ARMY CEMETERIAL EXPENSES
CONSUMER INFORMATION CENTER
CONSUMER PRODUCT SAFETY COMMISSION
COUNCIL ON ENVIRONMENTAL QUALITY
ENVIRONMENTAL PROTECTION AGENCY
NATIONAL CREDIT UNION ADMINISTRATION
NEIGHBORHOOD REINVESTMENT CORPORATION
NEW YORK CITY LOAN GUARANTEE PROGRAM
OFFICE OF CONSUMER AFFAIRS
OFFICE OF REVENUE SHARING
OFFICE OF SCIENCE AND TECHNOLOGY POLICY
SELECTIVE SERVICE SYSTEM
VETERANS ADMINISTRATION

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, FEBRUARY 23, 1984

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senator Garn.

AMERICAN BATTLE MONUMENTS COMMISSION

STATEMENT OF GEN. A. J. ADAMS, SECRETARY

ACCOMPANIED BY:
- COL. CLAYTON L. MORAN, DIRECTOR OF PERSONNEL AND ADMINISTRATION
- COL. WILLIAM E. RYAN, DIRECTOR OF OPERATIONS AND FINANCE
- COL. FREDERICK BADGER, DIRECTOR OF ENGINEERING AND MAINTENANCE

OPENING REMARKS

Senator Garn. The subcommittee will come to order.

General Adams, we are happy to welcome you here this morning. Since we do have four agencies appearing before the subcommittee today, I will ask each of the witnesses to limit your opening remarks to 5 minutes. Of course, as usual, we will include your entire statement in the record.

The principal functions of the American Battle Monuments Commission are to commemorate the achievements and sacrifices of the U.S. Armed Forces through the construction and maintenance of suitable memorial shrines in the United States and to maintain permanent American military burial grounds in foreign countries.

The Commission administers, operates, and maintains 24 permanent American military cemetery memorials, 14 separate monuments in 12 foreign countries, and 4 memorials in the United States. During fiscal year 1983, the cemeteries, monuments, and memorials were visited by over 11 million people. In addition to its other activities, the Commission provides information and assistance on request to relatives and friends of the war dead.

In fiscal year 1985, the Commission is requesting $11,065,000 and 387 positions. This is an increase of $603,000 above the fiscal year 1984 level.

We would be happy to have you proceed with your statement at this time.

PREPARED STATEMENT

General ADAMS. Mr. Chairman, as you have copies of my prepared statement, and it will appear verbatim in the record, with your permission, I will summarize its contents.

[The statement follows:]

STATEMENT OF GEN. A. J. ADAMS

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify today in support of the American Battle Monuments Commission's fiscal 1985 appropriation request.

Since our last appearance, I am pleased to report that the statue of General Pershing has been erected on its pedestal at the AEF Memorial. This completes a project that began for us in 1966 when the Congress enacted legislation authorizing erection of a memorial to the American Expeditionary Forces of World War I and its Commander in Chief. Although the ensuing period has been a long one, we believe that the result has been a most satisfactory one.

Our recently erected monument on Saipan is going to require more extensive landscaping by the Commission than had at first been anticipated. Originally, it was to be a small element in an American Memorial Park scheduled to be constructed by the National Park Service. Now, we understand that the National Park Service has abandoned their project. As a consequence, more complete landscaping will be required of the Commission in order for our monument to present the proper appearance.

Construction of the Utah Beach Monument is progressing satisfactorily. The 24-foot rectangular obelisk has arrived on site and will be erected soon. The monument is scheduled to be completed prior to June 5 and 6 of this year, the dates that the 40th anniversary of the World War II cross-channel landings will be celebrated.

I am happy to report that the recently completed memorial at the Corozal American Cemetery is a most fitting tribute to the members of our Armed Forces and the others who have contributed throughout the years to the operation and security of the Panama Canal. It consists of a 12-foot rose granite obelisk in a small plaza flanked by two flag poles from which the American and Panamanian flags fly. Engraved upon the obelisk is an appropriate inscription in English and Spanish.

Regarding our future commemorative plans, it has been over 30 years since the signing of the armistice that ended the Korean war. During that war, 6,807,000 Americans served in the Armed Forces with 55,000 of them dying in the military service. We believe it is time to initiate construction of a memorial in the Washington, D.C., area honoring the sacrifices and achievements of American Armed Forces in the Korean war and plan to request design funds in our next budget submission.

Proceeding to fiscal matters, the Commission's appropriation request for fiscal 1985 of $11,065,000 is $603,000 more than fiscal 1984, or an increase of 5.8 percent. Offsetting this increase is an average inflation rate in the foreign countries where our installations are located of 9.5 percent annually. Early last year, there was some softening in the dollar exchange rates that we were receiving. Fortunately for us, the rates not only regained the ground they had lost, but finished high. We are hopeful that they will continue to remain favorable so that our losses due to inflation can be offset.

A breakdown of the increases in this request is as follows: $411,000 for United States and local national employees pay raises and military retirement; $95,000 for personnel benefits associated with the pay raises; $1,000 for the transportation of supplies and equipment; $37,000 for rent, communications, and utilities; $72,000 for supplies, materials, and spare parts for vehicles and equipment; $83,000 for replacement of uneconomically repairable and wornout equipment; and $1,000 for renovation of facilities. Offsetting these increases in part are decreases of $34,000 in benefits for former personnel; $3,000 for the travel and transportation of personnel; and $60,000 for maintenance and repair of facilities and utilities.

Mr. Chairman, this concludes my prepared statement. We will be pleased to respond to any questions.

SUMMARY OF OPENING STATEMENT

General ADAMS. First, I would like to bring you up to date on our commemorative projects. The statue of General Pershing has been erected at the AEF Memorial on Pennsylvania Avenue, completing that project.

The Saipan Monument still needs additional landscaping for it to present a proper appearance.

The Utah Beach Monument is progressing satisfactorily and will be ready in time for the 40th anniversary celebration of the Normandy D-Day landings on June 5 and 6 of this year.

The memorial feature at the Corozal American Cemetery in Panama has been completed.

Proceeding to fiscal matters, the Commission's appropriation request for fiscal 1985 of $11,065,000 is $603,000 more than last year, which is an increase of 5.8 percent. Offsetting this increase is an average inflation rate in the foreign countries where our installations are located of 9.5 percent annually.

The adequacy of our appropriation request will depend on how stable dollar exchange rates remain. As you know, they have been high for several years running, an unusual phenomenon over the past 20 years.

Mr. Chairman, this completes my summary; we will be happy to answer any questions you may have concerning our appropriation request.

Senator GARN. Thank you, General.

MAJOR COMMEMORATIVE PROJECTS COMPLETED

At your appearance before this committee last year, you indicated that three major projects would be completed during the year. Although you touched on these in your summary, I would like some additional details.

The Washington, D.C., memorial to the American Expeditionary Forces of World War I was to have been completed by late summer. What is the status of this memorial?

General ADAMS. It was completely finished last year, entirely completed.

Senator GARN. The bronze statue of General Pershing was to be in place during the summer of 1983. I understand it was installed in October. Is that correct?

General ADAMS. That is correct, sir.

Senator GARN. It was estimated that the pylon for the Corozal Cemetery Memorial feature in Panama was to have been installed as early as the winter of 1983. I understand that the Corozal American Cemetery Memorial project was completed. When was that accomplished?

General ADAMS. The entire project was completed early this month.

Senator GARN. The 24-foot granite pylon for the Utah Beach Memorial was to have arrived at the site early last summer. I think that you mentioned that has not been installed, but would be installed by June 5 and 6?

General ADAMS. That is correct, sir.

Senator GARN. Do you foresee any problems with completing that by the anniversary?

General ADAMS. No, sir, we cannot foresee any. Everything is going according to schedule right now.

Senator GARN. Could you provide for the record last year's cost estimates for these three projects and the actual costs?

General ADAMS. We will be happy to do that, sir.

[The information follows:]

CONSTRUCTION COSTS

	Estimated	Actual
AEF Memorial	$420,000	$420,000
Corozal Memorial	30,000	57,000
Utah Beach Monument	40,000	120,000

KOREAN MEMORIAL

Senator GARN. I see from your statement you think it would be timely to initiate a memorial to the American Forces that fought in the Korean war. Why do you think this is the time? What is the rationale for starting one in the Washington, D.C,. area at this time?

General ADAMS. As mentioned in our statement, sir, it has been over 30 years since the signing of the armistice which ended the Korean war. Nearly 7 million Americans served in the military forces during that period, and 55,000 of them died in service. If we do not erect a memorial to those who fought in Korea now, many veterans of that war will never live to see or realize that their sacrifices and achievements have been recognized.

Senator GARN. What is your estimate for the length of time it would take to design and construct a memorial?

General ADAMS. We believe it would take about 5 years altogether. That is, assuming that we obtain construction funds the year after design approval.

Senator GARN. Do you have any estimate of the cost?

General ADAMS. We believe that a suitable memorial can be constructed for about $2.5 million.

SAIPAN MONUMENT

Senator GARN. Could you go into more detail for the additional costs necessary for the Saipan landscaping?

General ADAMS. Yes, sir. Originally, the monument was to be a tiny element in an American military park constructed by the National Park Service. Colonel Badger met with the Park Service and it agreed to provide the landscaping for our monument as part of its overall development. Now we understand that the memorial park has been postponed indefinitely.

As our monument stands on a barren area near the beach, we believe that it should be landscaped as soon as possible so that it will present a suitable appearance.

INITIAL BUDGET REQUEST TO OMB

Senator GARN. How does your fiscal year 1985 budget request compare to your initial request to OMB?

General ADAMS. We requested $11.254,000 from OMB for fiscal year 1985. OMB reduced that amount by $189,000. In addition, we were directed to absorb military retirement costs of $154,000, making a net reduction of $343,000 in our request to OMB.

Senator GARN. As a result of that reduction, what will you not be able to accomplish during this fiscal year?

General ADAMS. We will not be able to accomplish about $250,000 in repairs and maintenance projects and about $91,000 in renovation projects. These projects will have to be deferred until some later time when funds are available.

HOME LEAVE

Senator GARN. You are requesting $71,000 for home travel leave of U.S. eligible civilian employees and their dependents, an increase of 25 percent above last year's request. How many overseas American civil servants do you now employ and how many were there last year?

General ADAMS. There are 43 American civilians employed overseas at the present time, and 43 are authorized. Last year at this time, 43 were authorized and 41 were on board. Does that answer the question?

Senator GARN. Yes.

How many eligible civilian employees and dependents are expected to take home leave this year?

General ADAMS. Including dependents, a total of 52 have expressed a desire to take home leave during this fiscal year.

Senator GARN. How does that compare to last year?

General ADAMS. Last year only 22 took home leave, sir.

Senator GARN. How often did the typical eligible employee take home leave over the past 10 years?

General ADAMS. Up until this year, the Commission has had a policy of authorizing home leave every 3 years to its employees. As a consequence, the average U.S. civilian employee was taking home leave at 3-plus years intervals. However, as the U.S. civilian employees of other agencies overseas were being authorized home leave every 2 years, the

Commission has amended its policy to conform with that of the other agencies. From now on, our U.S. civilians will be authorized, whether they take it or not, home leave every 2 years.

Senator GARN. So this is a change just in your policy. The Government policy has been 2 years all along?

General ADAMS. Yes, sir, that is correct, sir.

MEETINGS AND TRAVEL OF COMMISSION MEMBERS

Senator GARN. This year you are requesting $16,000 for meetings and travel by the Commission members and $10,200 for the inspection of field operations by the Secretary and the Washington, D.C., staff. How do these amounts compare to fiscal year 1984 levels?

General ADAMS. In fiscal year 1984, we asked for $15,500 for Commissioners' traveling and $8,200 for travel of the Washington staff.

Senator GARN. Could you provide a list of your prior expenditures or estimates in each of these categories for fiscal year 1980 through fiscal year 1985?

General ADAMS. We will be happy to do that, sir.

[The information follows:]

COMMISSIONER AND STAFF TRAVEL

Fiscal year	Commissioners	Washington staff
1980	$3,000	$8,000
1981		11,000
1982	9,000	11,000
1983	20,000	10,000
1984	16,000	8,000
1985	16,000	10,000

PERSONNEL COMPENSATION

Senator GARN. Roughly 68 percent of the request increase is for personnel compensation. How will the additional $411,000 be used?

General ADAMS. It will be used in several different categories of personnel costs. Of this, $5,000 will be used for pay raises for the military; $11,000 for civil service employee pay raises; $109,000 for Wage Board increases; $59,000 for GS and Wage Board in-grade increases; $39,000 for promotion of civilian employees to their authorized grade; $2,000 for overtime, Sunday, and holiday pay; $32,000 for casual labor; and $154,000 for military retirement.

PERSONNEL LEVEL

Senator GARN. Page 3 of your budget justification shows an authorized position level of 382 for fiscal year 1985. However, page I–Y4 of the President's budget appendix shows 387. Your justification indicates that as a result of negotiations with OMB, the actual fiscal year 1985 ceiling will depend on your fiscal year 1984 employment level.

Based on your experience to date, what do you expect your average employment and number of authorized positions to be in fiscal year 1985?

General ADAMS. We anticipate that our employment for 1984 and 1985 will be 387.

Senator GARN. Would you provide a listing of the ABMC total number of full-time permanent positions for each of the last 10 years?

General ADAMS. We will be happy to do so, sir.

[The information follows:]

Full-time permanent positions

Fiscal year:	
1974	398
1975	398
1976	398
1977	393
1978	388
1979	381
1980	390
1981	383
1982	387
1983	387

SUBMITTED QUESTIONS

Senator GARN. General, we appreciate you being here to respond to these questions and present your testimony on the budget for fiscal year 1985. I do have some additional, as a matter of fact about four pages, more technical questions that I will submit to you and ask for your response in writing.

General ADAMS. Thank you, sir.

Senator GARN. Thank you very much, gentlemen.

[The following questions were not asked at the hearing but were submitted to the Commission for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

REPAIRS

Question: What major repairs do you anticipate in fiscal 1985?

Answer: Forty-one major repair projects are programmed for our installations around the world in fiscal 1985.

Question: Please provide a complete list for the record to include estimated costs.

Answer: The following major repair projects are programmed:

Manila Cemetery	Repair roads	$ 20,000
Manila Cemetery	Repoint hemicycle	25,508
Aisne-Marne Cemetery	Clean Chateau Thierry Mon	140,000
Suresnes Cemetery	Relevel headstone beams	30,000
Normandy Cemetery	Enlarge off and replace furnace	9,570
Paris Office	Widen entrance gate	6,000
Brittany Cemetery	Regild Indian and Eagle Tours	15,000
Meuse-Argonne Cemetery	Redo marble panel Montfaucon	12,000
Somme Cemetery	Rebronze antique green items	5,000
St. Mihiel Cemetery	Construct storage building	35,000
Suresnes Cemetery	Install ventilation in Memorial	10,000
Aisne-Marne Cemetery	Constr water treatment plant	18,000
Lorraine Cemetery	Renovate baths both quarters	8,500
Lorraine Cemetery	Rewire both quarters	10,000
Meuse-Argonne Cemetery	Repoint & clean Montfaucon	80,000
Aisne-Marne Cemetery	PH I repair CH-TH Terrace	150,000
Epinal Cemetery	Repr Court of Honor pavement	7,000
Somme Cemetery	Clean & treat Chapel	9,000
Netherlands Cemetery	Repair flag terrace access	15,800
Brookwood Cemetery	Paint exterior Visitors Bldg.	5,000
Somme Cemetery	Repl Supts roof tiles	18,000
Brookwood Cemetery	Relevel headstone beams	5,000
Oise-Aisne Cemetery	Widen Cemetery paths	20,000
Aisne-Marne Cemetery	Close Chateau-Thierry walks	15,000
Ardennes Cemetery	Relevel lawns redo drainage	18,000
Normandy Cemetery	Constr parking lot PH II	21,000
Oise-Aisne Cemetery	Repl stained stones Memorial	4,500
Meuse-Argonne Cemetery	Rewire service building	5,000
Meuse-Argonne Cemetery	Replace interphone system	1,700
Cambridge Cemetery	Rewire both quarters	6,000
Cambridge Cemetery	Replace telephone cable	3,000
Brittany Cemetery	Install sprinklers Tours	5,652
Lorraine Cemetery	Replace Furnaces both quarters	4,301
Mexico City Cemetery	Improve water storage	9,873
Corozal Cemetery	Improve Memorial grading	9,221
Corozal Cemetery	Air condition Chapel	15,000
Corozal Cemetery	Install sprinkler system	26,609
North Africa Cemetery	Install auto sprinkler	39,000
Florence Cemetery	Repair spillway	9,500
Saipan Memorial	Landscape Memorial PH II	50,000
Honolulu Memorial	Replace fifty panels	33,220

OVERSEAS STRENGTH OF THE DOLLAR

Question: During fiscal 1983, the strength of the dollar as compared to foreign currencies provided you with additional funds for pay of local nationals as well as purchase of overseas supplies and materials. If the current exchange rates were to hold for an extended period of time, what savings would be effected in your overseas operations.

Answer: The higher exchange rates should enable us to perform a number of the maintenance, repair and renovation projects on our list of deferred maintenance. These are projects that must be accomplished, such as those cut from our FY 1985 budget request as the result of OMB cuts, but whose priorities are not quite as high as those presently scheduled in our 1984 and 1985 programs.

Questions: For the record, please provide a list of anticipated and actual major overseas expenditures expressed in U.S. dollars for fiscal 1984 and the anticipated major overseas expenditures for fiscal 1985.

Answer: Major anticipated overseas foreign currency expenditures expressed in U.S. dollars for fiscal years 1984 and 1985 are as follows:

	FY 1984	FY 1985
Personnel salaries and benefits	$5,595,000	$5,856,000
Travel	17,000	19,000
Transportation of things	33,000	33,000
Rent, communications and utilities	389,000	426,000
Printing and reproduction	5,000	5,000
Maintenance and repairs	744,000	669,000
Supplies and materials	680,000	738,000
Equipment	139,000	168,000
Renovation and construction projects	370,000	371,000

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

Question: In your statement, you note that the American Expeditionary Forces (AEF) Memorial took a particularly long time to complete. Did you learn anything from this exercise that might avoid repetition of the problems?

Answer: Not really sir. Many factors over which we had no control contributed to the length of time required to complete the AEF Memorial. In 1956, Congress enacted legislation directing this Commission to submit designs and estimates for a memorial to include recommendations for a site. The Commission complied in a timely manner. Ten years later, in 1966, Public Law 89-786 was enacted directing this Commission to erect a memorial to the AEF and its Commander in Chief on a parcel of federal land bounded by 14th & 15th Streets, Pennsylvania Avenue and E Street. Design funds were not appropriated until 1973. Because the memorial was to be located on Pennsylvania Avenue, its design had to fit in with and compliment the overall plan for the development of Pennsylvania Avenue. Consequently, approval of design by all of the many agencies concerned took an unusually long time. Construction funds were appropriated in 1978 and made available to the Pennsylvania Avenue Development Corporation (PADC), which was acting as our agent. For reasons beyond its control, PADC was unable to contract for its construction until 1980. Once the construction contract was let, erection of the memorial progressed generally on schedule.

Question: Why did the National Park Service abandon the American Memorial Park on Saipan?

Answer: The National Park Service has not abandoned the American Memorial Park planned for Saipan. However, lack of appropriations for this purpose has resulted in other priority actions being given precedence over the Memorial Park. As a consequence, the National Park Service does not expect to commence work on the park in the foreseeable future.

Question: Does ABMC now expect to become responsible for the entire park envisioned for Saipan or has some modification been made in the overall plan?

Answer: No sir, this Commission does not expect to become responsible for the entire park, only the portion devoted to the Saipan Monument.

Question: Once the Utah Beach Monument is completed, will additional personnel be required for that area?

Answer: Hopefully not. The monument will be satellited upon the Normandy American Cemetery and Memorial for care and maintenance, and it is expected to absorb the additional workload.

Question: What has been done to date on a Korean War Monument?

Answer: The sole action taken by this Commission to date has been to request its consulting architect to develop broad design concepts.

Question: What future commemorative plans beyond the Korean War Memorial do you have?

Answer: In the Commission's Distinguished Military Actions Commemorative Program, some 30 plus World War II battle locations and headquarters are considered worthy of special recognition, such as that which has been given to Utah Beach. Foremost among these sites is Guam. We hope to honor it in a similar fashion. The Japanese already have erected several magnificent monuments there. American veterans are questioning why this country has not done likewise.

DEPARTMENT OF DEFENSE—CIVIL

Department of the Army

Army Cemeterial Expenses

STATEMENT OF COL. JOSEPH E. GLEASON, DIRECTOR, CASUALTY AND MEMORIAL AFFAIRS, OFFICE OF THE ADJUTANT GENERAL, DEPARTMENT OF THE ARMY

ACCOMPANIED BY:

LT. COL. DAVID PEIXOTTO, MILITARY ASSISTANT, ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

RAYMOND J. PETTIS, DIRECTOR, RESOURCE MANAGEMENT, OFFICE OF THE ADJUTANT GENERAL

PAUL TOWELL, BUDGET ANALYST, CASUALTY AND MEMORIAL AFFAIRS DIRECTORATE

RAYMOND J. COSTANZO, SUPERINTENDENT, ARLINGTON NATIONAL CEMETERY

JULIUS L. SMITH, ENGINEER TECHNICIAN, CASUALTY AND MEMORIAL AFFAIRS DIRECTORATE

OPENING REMARKS

Senator GARN. Next we invite to the witness table those who will testify on Army cemeterial expenses.

Colonel Gleason, it is a pleasure to have you and your associates here today before the committee. You have the responsibility for the operation of the Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery. These facilities contain the remains of over 204,381 persons and comprise approximately 628 acres.

During fiscal year 1985, your budget assumes 3,900 burials and inurnments, cemetery personnel care for the maintenance of the shrubs, roads, the Memorial Amphitheater, the Tomb of the Unknown Soldier, and various buildings and vehicles.

Your budget request for fiscal year 1985 is $7,759,000, which is a decrease of $444,000 from your current fiscal year 1984 appropriation.

Would you please proceed with your statement.

STATEMENT SUMMARY

Colonel GLEASON. Mr. Chairman, good morning.

We appreciate the opportunity to testify today in support of the fiscal year 1985 appropriation request for cemeterial expenses, Department of the Army.

The cemeterial expenses appropriation is divided into three major categories: Operation and maintenance, administration, and construction.

For fiscal year 1985, we are requesting a total of $7,759,000. This is a decrease in estimated obligations of $685,000 from the estimate for fiscal year 1984. Most of the decrease is in construction, $569,000, with the balance in operation and maintenance, $110,000, and administration, $6,000.

Of primary concern are the design funds for the permanent visitors center and parking facility which are included in our fiscal year 1985 construction request. The present facilities are inadequate to provide for the needs of the present number of visitors and are so shoddy in appearance they detract from the dignity and decorum of the cemetery. The location of the cemetery facilities is such that the flow of visitors often interferes with funerals and detracts from their solemnity.

Further, the permanent visitors center and parking facility must be built to allow future use of the land now occupied by the temporary facilities for burial.

Funds are requested for complete design of a permanent visitors center. Full funding is projected in fiscal year 1986 for construction of the visitors center and in fiscal year 1987 for the related parking facility. This was approved by the administration and included in the President's budget.

PREPARED STATEMENT

Mr. Chairman, this concludes my summary remarks. I would like at this time to submit my formal statement for inclusion in the hearing record, after which we will be pleased to take your questions.

[The statement follows:]

STATEMENT OF COL. JOSEPH E. GLEASON

Mr. Chairman, members of the committee, good morning. We appreciate the opportunity to testify today in support of the fiscal year 1985 appropriation request for cemeterial expenses, Department of the Army. This appropriation funds the salaries and expenses necessary for the operation of Arlington and U.S. Soldiers' and Airmen's Home National Cemeteries.

Arlington is the premiere national shrine honoring the Nation's war dead. Many nonfuneral events occur there annually—more than 1,200 last year—to honor those who have made a significant contribution to sustain our way of life. Public figures from the United States and many foreign countries participate in these solemn ceremonies. People from all walks of life visit Arlington. It is second only to the Smithsonian Institution as the most visited public facility in the Capital region. The uniqueness of this memorial dictates that we establish and maintain high standards of care. Arlington National Cemetery is a visible reflection of America's appreciation for those who have made the supreme sacrifice to maintain our freedom.

During fiscal year 1983, 1,209 nonfuneral ceremonies were conducted at Arlington. There were over 3 million visitors; 11 foreign heads of state participated in special ceremonies. There were 3,668 interments and Columbarium inurnments; 18,900 headstones were set, reset, or realined; and 881 niches were sealed. We cleaned 13,459 headstones, refilled 10,435 graves, and serviced or repaired 426 pieces of equipment and vehicles. Work performed to improve Cemetery grounds included: Pruning of 406 shade trees; removal of 57 large dead or dying trees; dormant spraying of 2,000 oak trees, planting of 61 large trees; and completion of approximately 80 percent of a weed control and turf renovation program implemented last fiscal year.

Funds authorized for operation and maintenance in fiscal year 1984 were increased by $104,000 over fiscal year 1983 funds. This increase permits us to continue to improve our ongoing maintenance program. During this fiscal year, 17,900 headstones will be reset and realined and 10,000 cleaned; 10,000 graves will be refilled; 40 new trees will be planted; 280 trees will be pruned and 2,000 sprayed; and the weed control and turf renovation program will be completed. Additionally, we have ready for implementation, if needed, a contingency plan for control of the gypsy moth infestation. Your approval of our fiscal year 1985 request will permit us to make further progress toward achieving the high maintenance standards which this Nation expects at Arlington National Cemetery.

The cemeterial expenses appropriation is divided into three major categories: Operation and maintenance, administration, and construction. For fiscal year 1985, we are requesting a total of $7,759,000. This is a decrease in estimated obligations of $685,000 from the estimate for fiscal year 1984. Most of the decrease is in construction, $569,000, with the balance in operation and maintenance, $110,000, and administration, $6,000.

You may recall in fiscal year 1984 we were given funds to construct the second increment of the Columbarium. This accounts for the bulk of the reduction in the fiscal year 1985 construction account. The reduction in operation and maintenance comes primarily from projects that are accomplished which are costly and not required in the following year.

One of the major items remaining in our congressional-approved master plan is the construction of a permanent visitors center to replace the aging and inadequate temporary facility we now have. We are pleased that our fiscal year 1985 budget request contains $400,000 for the final design of the permanent visitors center and parking facility. As indicated in the President's budget, we expect to request funds to construct the visitor center and parking structure in fiscal years 1986 and 1987. Arlington National Cemetery has about 3.5 million visitors annually. The 14-year-old temporary visitors center was not constructed to accommodate such a high volume of visitors. The present facilities are inadequate to provide for the needs of the present number of visitors. The quality of construction was intended to last approximately 5 years and that the aging facilities are so shoddy in appearance that they detract from the dignity and decorum of the Cemetery and are a poor reflection of the way our Nation honors its war dead. We request the committee approve design funds in fiscal year 1985 so we can quickly begin the process which will provide this long-overdue facility to the millions who visit Arlington National Cemetery each year. The combined traffic of vehicles, tourmobiles, and pedestrians in the poorly designed area is unsafe. The location of the temporary facility is such that the flow of visitors often interferes with funerals and degrades their solemnity. Further, the permanent visitors center and parking facility must be built to allow future use of the land now occupied by the temporary facilities for burial.

Mr. Chairman, this concludes my remarks. We will be pleased to respond to questions from the committee at this time.

TOMB OF THE UNKNOWN

Senator GARN. Thank you, Colonel.

For the last 2 years, I have been asking you about interring the remains of a soldier killed in the Vietnam conflict in the Tomb of the Unknown Soldier. In March 1982, the response to my questions was that there were several unidentified remains undergoing the identification process and a decision would be expected within the next few months.

Well, the following year the testimony was, and I quote, "A final and intensive effort to identify those remains would be concluded in the summer of 1983."

The committee has not heard anything since that time. I would like to know if you have identified a candidate for interment.

Colonel Peixotto. Senator, the study we referred to last year, the technical study, was, in fact, concluded last summer. From that effort we were able to identify two of the remains in our possession, and we feel this was a great benefit for the families. We also determined that there is one remains that meets the criteria in Public Law 93–43 for interment as a Vietnam unknown.

However, there have been recent events in Southeast Asia which indicate we might see a substantial turnover of additional U.S. remains from Southeast Asia. We felt that it would be best to defer a final decision on the Vietnam unknown while the situation in Southeast Asia develops.

The situation is still evolving there. We are now evaluating the entire matter at the highest levels in the Pentagon to determine whether it is appropriate to proceed with the interment.

I can assure you that we recognize the need to honor the Vietnam veterans, and we hope to see this matter to a proper conclusion at the earliest possible time.

Senator Garn. I am a little bit puzzled, and obviously maybe because I don't understand the process. Obviously there are still a lot of missing and unaccounted for in Vietnam. But maybe you can enlighten me. Maybe it is a silly question, but what difference does it make if you have identified an unidentified for that purpose, whether there are additional unidentifieds there or not? I fail to see why it takes so long to make that selection.

Colonel Peixotto. Senator, there is the possibility other remains may come out of Southeast Asia which could be candidates for the unknown. If so, this would allow us to have a selection process rather than simply designate one remains. If there is a selection process with two or more unidentified remains, a truly anonymous candidate would be selected. The unknown would be one of several candidates, and we would never know which one of those it was. It is a desire to, if at all possible, have that situation.

Senator Garn. Well, I understand, but I felt that as you had gone through this process before, that you have no idea who the remains were. You were down to two, as you stated, and then one that meets the criteria. My point is, if it is unidentified and you don't know who it is, it is truly unknown, what difference does it make whether you find additional unknowns or not?

Colonel Peixotto. Sir, that point is precisely what is being discussed within the Pentagon to determine whether we should go ahead at this point or whether we should wait.

Senator Garn. Is there any question whether the one you are down to now is known or unknown, or you are absolutely satisfied that it is unknown?

Colonel Peixotto. Yes, we are satisfied.

Senator GARN. Again, you leave me puzzled. I mean I would expect that situation, unfortunately, will go on in Vietnam for years. The way the Communists are dribbling out bodies at their convenience, without regard to the families, I would expect they will probably release a few more as some kind of humanitarian gesture. I see no end to that process with the Vietnamese government that is in power now.

So that is why I am a little bit puzzled. If you are sure you have an unknown that meets the criteria, I personally don't understand why we don't go ahead with it because we could be back here again next year with the anticipation there would be additional ones coming out.

Colonel PEIXOTTO. Senator, we have done everything that we can on the remains that we have. I think you are right on target, that we are at a point now where a decision should be made.

I would expect a decision in the very near future. I know you have heard that for over 2 years now, but we are truly at the point where there is nothing more that can be done. We have one remains that is a qualified candidate.

Senator GARN. Well, I hope the decision is made. I hope I will not have to ask you the same question next year.

I do feel very, very strongly that Vietnam veterans have not been treated equitably with veterans of other wars. I think they should be. I think they are deserving of recognition in this manner along with the others. I think we ought to bring it to a conclusion.

PERMANENT VISITORS CENTER AND PARKING FACILITY

The Arlington National Cemetery master plan which was approved by Congress in 1967 provided for a permanent visitors center and parking facility. A temporary visitor center and parking lot were constructed in 1969 and are still in use.

The original underground permanent visitors center and two-tiered parking facility was estimated in 1967 to cost $36 million. This was considered too costly, and the second concept for an above-ground visitors center and parking facility was developed.

Last year you estimated that the cost of these above-ground facilities was $10,207,000, of which $6 million was for the parking facility. During fiscal year 1983, you spent $100,000 for a feasibility study, and as a result you are now estimating a cost of $17,840,000. This represents a 75-percent increase in the cost over your previous estimate.

What are the estimated costs for major components of the project now in relation to this new total estimate?

Colonel PEIXOTTO. Senator Garn, we are asking for $400,000 in our budget request for this year for the final design of the visitors center. We would then expect to ask for $8,358,000 in fiscal year 1986 for construction of the visitors center; and then, in fiscal year 1987, for another $9,082,000 for construction of the parking structure. In 1986 and 1987, we expect to have those requests in our budget request to you.

Senator GARN. What is your explanation for the 75-percent cost increase?

Colonel Peixotto. Sir, our previous estimate of $10,207,000 was based on a 1977 study. The purpose of that study was to find a site for an above-ground visitors center. Previous concepts had been for a below-ground structure for both the visitors center and parking facility. That was simply too expensive.

The 1977 study found a site and the master plan was changed. The study was very vague as to what the costs would be and they were estimated at about $10 million.

Last year we asked for and received $100,000, as you indicated, to study the above-ground visitors center in detail, which we did. We wanted to know what the visitors center would look like in concept and get preliminary cost estimates. The first cost estimates we received from the architect were on the order of $25 million. We were able to prune unnecessary features and reduce the cost to the current estimate of $17,840,000.

Senator Garn. You said you expect to construct in 1986 and 1987?

Colonel Peixotto. That is correct, Senator.

Senator Garn. So you are talking about a 2-year construction period, or most parts of those 2 years?

Colonel Peixotto. Yes, sir. We would expect construction to be done in fiscal years 1986 and 1987. The visitors center, if we get the appropriations, would begin in November 1985 and end in July 1987. The parking structure would begin in November 1986 and end in November 1987.

Senator Garn. So you need your initial design funds this year and your construction funds are mandatory for fiscal years 1986 and 1987.

Colonel Peixotto. Yes, sir.

OTHER SERVICES

Senator Garn. The object classification with the largest increase in your budget justification is other services. Examination of the other services classification shows that you are requesting $400,000 for the final design of the visitors center and parking facility. What are the schedule highlights and delivery plan for the design project?

Mr. Smith. Senator, after approval of the appropriations, final design will begin in Novumber 1984 and be completed in August 1985.

WEED ERADICATION

Senator Garn. I notice that you are not requesting any funds this year for weed eradication. In the last several years, you have requested $50,000 a year for this purpose. Could you please share your secrets with me? Are there not going to be any weeds in the cemetery this year? Have you got a secret? I would like to know for my own yard.

Mr. Costanzo. Yes, sir, I would be happy to answer that.

Prior to fiscal year 1983, weed eradication in the cemetery was of necessity relegated to a very low priority maintenance function because the funds and personnel availability at that time just did not permit us to attack the problem as we should. Therefore, the problem did get out of hand.

We received numerous complaints and it was ultimately reflected in some adverse press releases. Soon thereafter we did consult with the Virginia Polytechnical turf experts. They recommended we undertake a 2-year comprehensive weed control program consisting of two applications per year, one in the fall and another in the spring.

We initiated the first program in fiscal year 1983. It was highly successful. We were able to reduce our weeds by 50 percent. We are fully confident that our 1984 program will completely eradicate our weeds and we will have the problem well in hand.

After that point, we plan to control it in-house by minimal maintenance to prevent any reintroduction of weeds.

INITIAL OMB BUDGET REQUEST

Senator GARN. How does your fiscal year 1985 budget compare to your request to OMB?

Mr. SMITH. Senator, our initial request to OMB was $16,861,000.

Senator GARN. In what areas did they make major reductions?

Mr. SMITH. The major reduction was in construction and will not have an effect on our operation and maintenance of facilities or our standards of maintaining these facilities.

VEHICLE REPLACEMENT

Senator GARN. During fiscal year 1985 you intend to replace four motor vehicles. What is the age and total mileage of the vehicles that you are going to replace?

Mr. COSTANZO. Sir, I don't have the specific mileage before me now, but all of the vehicles meet the GSA requirements of 7 years for passenger vehicles and 10 years for trucks. But I can furnish the mileage for the record.

[The information follows:]

Replacement vehicles

Year and vehicle	*Mileage*
1977 Plymouth sedan	36,327
1978 Ford station wagon	42,202
1977 Dodge one-half-ton pickup	32,550
1967 Dodge 1½-ton water truck	108,797

Senator GARN. What would you estimate would be the replacement cost for the vehicles?

Mr. COSTANZO. Just a moment, sir—$48,000.

Senator GARN. What purpose do you have for the station wagon you are purchasing?

Mr. COSTANZO. The station wagon is used by our cemetery messenger for picking up messages, going to the post office, picking up cremated remains, and delivering messages throughout the capital area.

Senator GARN. You are also ordering a passenger vehicle, so you are not planning on using the station wagon as a passenger vehicle at all?

Mr. COSTANZO. No; the passenger vehicle is used by our cemetery representatives for escorting families and funerals from the administration building or from the chapel or memorial gate to the burial site.

Senator GARN. That loud buzzer indicates the country is in danger, the Senate is now in session. [Laughter.]

I have always thought the orange light on the clock should be in red, letting the people know that. [Laughter.]

SUBMITTED QUESTIONS

Gentlemen, I have eight additional pages of detailed questions for your response in writing. I have none other orally, unless you have any additional comments you wish to make.

Colonel GLEASON. No, sir. Thank you.

Senator GARN. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

ARLINGTON COST INCREASES

The master plan of major projects you submitted for the record last year shows the cost of each subsequent land development project has increased significantly. The cost for Project Number 80, in 1969, was over $7,600 per acre. In 1976, for Project 85-85A, the cost was over $56,000 per acre. The projected cost for Project 90 which will take place in 1988 or 1989 is estimated to be over $280,000 per acre.

Question: To what do you attribute these increases?

Answer: The increase in cost per acre results from two items. First, the amount of work needed to prepare each acre as a burial ground has greatly increased. For example, these 40 acres of land development Project 90 require in excess of 1.3 million cubic yards of landfill versus 300,000 cubic yards for 40 acres in Project 85-85A. Other requirements are removal of old utility lines, building foundations, and roads. Second, inflation, the cost of everything has increased greatly, landfill, labor and material. It costs more, and the distances landfill is hauled are often greater when being paid for as part of a fixed price contract.

Question: Is there any way to minimize the amount of the increase?

Answer: We are reducing the ultimate cost by having the Baltimore District, Corps of Engineers lease the land to an area contractor as a landfill area. The contractor pays cash for the privilege to place landfill in the area, remove old structures, install new utilities, place topsoil, and plant grass. Thus far, the U. S. Treasury has been paid $252,000; and several hundred thousand cubic yards of top quality fill material has been placed on the site. Current estimates are that the ultimate cost of this project will be reduced 5 to 7 million dollars as a result of this procedure. We estimate this free fill material will reduce the cost per acre by at least 50%.

PAY SUPPLEMENTAL

Your budget contains a request of $99,000 for increased pay costs in FY 84.

Question: How much of your increased pay costs will you be able to absorb?

Answer: We could absorb any part or all of it by reprogramming from other projects.

Question: What would be the impact of Congress not approving this supplemental request?

Answer: The impact would make it necessary to reprogram available funds and defer certain landscaping and road repair projects.

MAINTENANCE COSTS

Your FY 85 budget justification indicates a general reduction in maintenance costs. The building maintenance cost of $15,000 represents a reduction of $26,000 from the FY 84 current estimate.

Question: What do you propose to do to achieve these savings?

Answer: The amount of funds requested under maintenance of buildings is predicated upon the size and scope of specific projects scheduled during the year. During FY 84, we are making some major repairs to the deputy superintendent's quarters which will include completely replacing the slate roof, siding, and all windows at an estimated cost of $41,000.00. During FY 85, we propose to replace foundation support timbers and flooring in the old administration building at an estimated cost of $15,000.00.

Question: Your ground maintenance costs for FY 85 are estimated at $936,000. This represents a $45,000 increase. What necessitates this additional expenditure of funds?

Answer: The current contract, which will expire in FY 85, provides for the $45,000 increase. The ground maintenance contract costs are established on the basis of competitive bidding and the acceptance of the low bid.

WORKYEAR REDUCTION

In your budget justification you show that the President's budget for FY 84 contained 147 workyears for operations and maintenance. Your FY 85 estimates indicate a reduction of 5 workyears.

Question: What impact will this have on the operations and maintenance of the National Cemeteries?

Answer: The reduction of five workyears will not have any adverse impact on the operations and maintenance of our cemeteries. In FY 83 we were authorized 147 workyears and actually utilized only 145 workyears. This proved to be sufficient to satisfactorily accomplish our mission at that time. We can now absorb this additional 3 workyears as follows:

- Facility maintenance, maintenance and repairing pot holes and roads reduced 1 workyear because of recent and on-going major renovation of the cemetery roads.
- Leaf and tree debris removals reduced 1 workyear because of recently purchased shreader and chipping machine.
- Janitorial service reduced 1 workyear by adjusting work schedules and eliminating night work which resulted in closer

supervision and improved productivity.

UNOBLIGATED BALANCES

I see from your budget justification that you have $142,000 of FY 83 unobligated balance that is carried forward to FY 84. $120,000 was an FY 83 recovery from prior year obligations.

Question: Would you please provide the details which show where these savings came from?

Answer: The savings come from several different areas covering a period of several years. The significant amounts are attributed to discounts for prompt payment, adjustments to obligations to reflect actual cost, and the correction of accounting errors that resulted in duplicating some obligations.

Question: In what way are you planning to use the $142,000 during FY 84? Please provide details.

Answer: The recovered amount will be used to pay for masonry repair to the Amphitheatre; landscape service to replace trees and shrubs throughout the cemetery; and the continuation of Phase III of the repair of cemetery roads.

Question: Is it possible for you to use a portion of the FY 83 unobligated balance carry forward into FY 84 to pay for the proposed $99,000 FY 84 supplemental pay raise?

Answer: Yes, we could do this by reprogramming funds from other scheduled projects.

WAREHOUSE

During the FY 83 hearings, you indicated the new warehouse facility which you intended to construct in FY 82 and FY 83 had been deferred by OMB. However, at the hearing, you stated that the current timetable had been rescheduled for design in FY 84 followed by construction in FY 85.

Question: What is the current status of the warehouse facility design and construction?

Answer: We requested design funds for this project in our initial request to OMB. They deferred it to FY 88 followed by construction in FY 89 because the Visitors Center and parking facility project was considered of higher priority.

LAND AND STRUCTURES

For FY 85 you are proposing $863,000 for land and structures. This represents a reduction of $1,104,000 from last year. Please provide a list of these costs and the impact of the reduction.

Answer: In FY 84 we received $1,325,000 for north court Columbarium construction; $467,000 to continue repair of cemetery roads; $61,000 for remedial landscaping of newly developed areas in the cemetery; $68,000 for additional landscaping in the older areas of the cemetery; $41,000 for recaulking of walkway and steps of the Amphitheatre; and $5,000 for replacement of the heating system in lodge #2.

In FY 85 we requested $823,000 to continue repair of cemetery roads; and $40,000 for replacement of 80 trees.

This accounts for the decrease of $1,104,000 and will have no impact on land and structures.

STATUS OF CEMETERIES

In your budget justification you indicate the remaining capacities for the Arlington National Cemetery and the Soldiers' and Airmen's Home National Cemetery.

Would you please provide this information for the record?

Information follows:

Senator Garn—Continued

STATUS OF ARLINGTON AND SOLDIERS' AND AIRMEN'S HOME NATIONAL CEMETERIES
30 SEPTEMBER 1983

	Gravesites Available	Gravesites Used	Gravesites Reserved	Projected Closing Date
Arlington National Cemetery, Arlington, Virginia	52,700	165,476	13,674	2021
Soldiers' and Airmen's Home National Cemetery, Washington, D. C.	510	13,451	25	2003

Status of Columbarium at Arlington National Cemetery

Niches Available	Niches Used	—	Projected Closing Date
2,217	2,809		2033

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

NON-FUNERAL EVENTS

Question: How are expenses incurred in connection with nonfuneral events at Arlington Cemetery financed?

Answer: Nonfuneral expenses are financed from the same appropriation as funeral expenses.

Question: What were the expenses associated with the more than 1,200 nonfuneral events held there last year?

Answer: Expenses included supplies, equipment, and personnel costs.

Question: What criteria are currently used to determine what nonfuneral events should be allowed?

Answer: The two types of nonfuneral events (ceremonial) conducted at Arlington National Cemetery are private or public memorial services and official ceremonies. Private or public memorial services may be conducted in the Cemetery by individuals or organizations if such services are purely memorial in purpose and dedicated only to the memory of all those interred in the Cemetery, to all those dying in the military service of the United States while serving during a particular conflict or while serving in a particular military unit or units, or to the memory of the individual or individuals interred or to be interred at the particular gravesite at which the service or ceremony is held. A service or ceremony connected with partisan activities may not be conducted in the Cemetery. If a service is determined to be partisan by the Superintendent, permission to conduct the memorial service or ceremony will be denied. Official Ceremonies are services and ceremonies scheduled through the State Department for visiting heads of state, foreign military and political dignitaries, or ceremonies involving the President of the United States, cabinet officers, members of the Congress, and other United States government officials, who are participating in an official capacity.

HEADSTONE AND GRAVE MAINTENANCE

Question: Are headstones reset or realigned according to a plan or program or just as the need arises?

Answer: Headstone resetting and realignment projects are programmed for accomplishment each fiscal year.

Question: What about refilling of graves?

Answer: Refilling of sunken graves is planned and programmed for accomplishment each fiscal year.

CONSTRUCTION

Question: You have a decrease in your construction request for FY 85. Do you anticipate any new construction projects in the near future?

Answer: Yes

Question: What are the projected costs?

Answer:

Project	Cost
FY 1986	
Visitors Center (construction)	$8,358,000
FY 1987	
Parking Facility (construction)	$9,082,000
FY 1988	
Repair of Cemetery Roads, Phase IV (construction)	$1,585,000

Senator Huddleston—Continued

New Warehouse Facilities (design)		368,000
Land Development Project 90 (design)		265,000
Replacement of West Boundary Wall (design)		112,000
Demolition of Tempo Visitors Center & Parking Lot (design)		15,000
Demolition of Tempo Visitors Center & Parking Lot (construction)		301,000
Development of Sections 55 & 57 (design)		101,000
	TOTAL	$2,747,000
FY 1989		
Columbarium - 5,000 Niche Module (design)		$ 135,000
New Warehouse Facilities (construction)		6,409,000
Land development Project 90 (construction)		6,889,000
Replacement of West Boundary Wall (construction)		2,918,000
	TOTAL	$16,351,000
FY 1990		
Columbarium - 5,000 Niche Module (construction)		$1,775,000
Repair of Cemetery Roads, Phase V (construction)		2,298,000
Development of Sections 55 & 57 (construction)		2,002,000
	TOTAL	$6,075,000

OFFICE OF CONSUMER AFFAIRS

STATEMENT OF VIRGINIA H. KNAUER, SPECIAL ADVISER TO THE PRESIDENT FOR CONSUMER AFFAIRS, AND DIRECTOR, U.S. OFFICE OF CONSUMER AFFAIRS

ACCOMPANIED BY:

- **JOHN H. HOPKINS, DIRECTOR, DIVISION OF BUDGET SERVICES, DEPARTMENT OF HEALTH AND HUMAN SERVICES**
- **ROBERT F. STEEVES, DEPUTY DIRECTOR, U.S. OFFICE OF CONSUMER AFFAIRS**
- **FRANK R. MARVIN, DIRECTOR, MANAGEMENT STAFF, U.S. OFFICE OF CONSUMER AFFAIRS**

INTRODUCTORY REMARKS

Senator GARN. Next we have the Office of Consumer Affairs before us.

Virginia, at least I get to see you once a year.

Mrs. Knauer, it is a pleasure to have you before the subcommittee again this morning. The U.S. Office of Consumer Affairs was created by President Nixon in 1971 to advocate consumer needs and viewpoints in the Federal Government, to foster consideration of consumer interests by other Government agencies, and to seek to inform and educate individual citizens to deal more effectively in the marketplace. The Director of the Office also traditionally serves as Special Assistant to the President. The staff of the Office also provides assistance to the Consumer Affairs Council.

The budget proposal before us for the Office totals 40 full-time permanent positions and $2,096,000, an increase of $85,000 over the enacted fiscal year 1984 level.

Please proceed with your testimony.

PREPARED STATEMENT

Mrs. KNAUER. Thank you, Mr. Chairman. I am delighted to be here. In the interest of time, I will summarize my opening statement and the rest of it can be included in the record.

[The statement follows:]

STATEMENT OF VIRGINIA H. KNAUER

Mr. Chairman and members of the Subcommittee, today's hearings mark the eleventh time that I have appeared before committees of Congress to request funds for the United States Office of Consumer Affairs or its predecessor organization, The President's Committee on Consumer Interests. In developing the budget for 1985, I was impressed by how much we as a national coordinating office and how consumerism within the Federal establishment have matured. Representing the consumer interest has indeed become a fundamental part of the Federal decisionmaking process.

The budget request for FY 1985 to continue these efforts totals $2,096,000, an increase of $85,000 over the 1984 appropiration. The increase would actually amount to $50,000 if one considers an FY 1984 supplemental request of $35,000 to cover the recent pay raise which was submitted as part of the President's FY 1985 budget. The additional funds are for an expected increase in rental rates for office space, full year funding of the January 1984 pay raise, and an extra day of work. Authorized staffing would remain at 36 in 1985, the same as 1984 and 1983.

Our 23-page justification provides all the details, but I would like to draw your attention to examples of our successes, our plans to foster the consumer viewpoint and our efforts to help educate individual consumers on their responsibilities.

Our outreach efforts result in almost daily staff level contact with constituent groups on Administration initiatives. In the past year my Deputy and I met with leaders of these groups more than 180 times. Their views are synthesized and incorporated into office projects or brought to the attention of Federal policy officials in other forums.

A major consumer project in 1983 was the very successful Constituent Resource Exposition held in the Cannon Caucus Room. More than 1,400 Congressional staffers received updated copies of our most popular Congressional Liaison Handbook and learned how to access Federal resources more efficiently and to expedite replies to constituent correspondence.

Timely information on consumer issues was released to the public both through our monthly newsletter, Consumer News, which goes to 7,000 decisionmakers and through seven HELP radio public service announcements. Our special publications on current topics included a directory of telecommunications devices for the deaf, a hypothermia fact sheet, and a list of toll free telephone numbers. We are especially proud of the 1984 undate of the Consumer's Resource Handbook. The President received his copy in a recent Oval Office ceremony. Members of the Congress already have requested more than 175,000 copies for their constituents. In all, this calendar year we expect to distribute 1.4 million copies to help individuals and consumer assistance professionals solve marketplace problems. Our previous version was good -- so much so that it received a coveted "Blue Pencil" award from the Association of Government Communicators -- but this version is is even better. It has a new cross-indexing system to direct the consumer more effectively to the party that can be of most help. It includes 1,700 names and addresses of corporate and government officials.

We do try unique ways to reach citizens on important problems they may face personally. I am most happy to advise the Subcommittee that staff negotiations have led to a commitment from the International Anti-Counterfeiting Coalition to join later this spring with USOCA and the U.S. Customs Service to finance and operate a major exhibit on counterfeit products in the Custom house Building in New Orleans. The exhibit will be located in a high traffic area immediately adjacent to the 1984 World's Fair. I would not be surprised if half a million or more persons visited our exhibit. The cost to USOCA will be under $10,000, exclusive of staff coordinating time.

In our efforts to contribute to policy development I am personally pleased with our work in heading the U.S. delegation at semi-annual meetings of the Committee on Consumer Policy Development of the Organization for Economic Cooperation and Development. And, I am particularly proud of our joint efforts with U.N. Ambassador Kirkpatrick and her staff in the December 1983 briefing of senior corporate officers and government executives which increased understanding of U.N. activities aimed at regulating international business and commerce.

The second Annual National Consumers Week held in April 1983 was impressive. Mr. Chairman, I would like to provide to the Committee a summary of the initiatives undertaken by educators, business and consumers across our nation. We are well on our way to an even more impressive third National Consumers Week beginning April 23, 1984.

Finally, Mr. Chairman, our efforts in 1983 include fruitful voluntary action by industry, government and business. The food market shelves have considerably more products containing sodium content labels. According to the National Food Processors Association, some 60¢ of the 1983 pack was to have been sodium labeled, compared with 40% of the 1982 pack. We plan to encourage similar voluntary efforts in labeling other food constituents of particular health concern to the public such as potassium, cholesterol and saturated fats. Responsible business associations are also expanding voluntary industrywide Consumer Action Panels (CAP's) to help resolve difficult retail marketplace problems. Later this year we expect the Direct Selling Association to establish a CAP to cover door-to-door and "party plan" sales -- marketing techniques which have historically been the source of significant consumer problems.

In our program for 1985 we will continue to act as a catalyst/coordinator with emphasis on three areas: improving the quality of goods and services; encouraging Federal officials to be more positive and more helpful in their dealings with individuals; and, as part of our consumer information/education efforts, staying abreast of national and international consumer developments and educating citizens to their personal responsibilities in making our economic system work.

To enhance the quality of goods and service we will provide forums for consumers to be aware of counterfeit products and will work with national standards-developing groups to encourage improve opportunity for consumer involvement in the standards development. We will encourage business to identify and address consumer problems because retaining customers is vastly more profitable than trying to replace them. Finally, we will continue to work at the grassroots level to expose fraudulent and misleading advertising and mail order schemes perpetrated by unscrupulous individuals.

We will also strive to make the Federal establishment more responsive to our citizens. All too often we hear of people who are frustrated in dealing with their government. In addition to reprinting an updated version of the Consumer's Resource Handbook to help persons get to the "right" office, we will be working through the Consumer Affairs Council to encourage Federal agencies and their consumer affairs personnel to improve their skills and procedures to assure a courteous, helpful relationship between the government and its citizens. We are also exploring ways to encourage the use of plain English in government information and regulations. Also under consideration is a Consumer Affairs Council initiative to study the changes in handling of consumer complaints by Federal agencies since the 1979 landmark study, Consumer Complaint Handling in America, sponsored by this office.

1985 USOCA information and education programs will include reports on deregulation and messages to consumers on benefits from shopping carefully, insisting on and reading warranties, and bringing to the attention of merchants defective merchandise or poor service.

Mr. Chairman, members of the Subcommittee, we would be pleased to expand on these points and to address any questions you may have on our formal request.

SUMMARY OF OPENING STATEMENT

Mrs. KNAUER. Mr. Chairman, our 23-page justification provides all the details of our 1985 budget, but I would like to draw your attention to examples of our successes, our plans to foster the consumer viewpoint, and our efforts to help educate individual consumers on their responsibilities.

Our outreach efforts result in almost daily staff level contact with constituent groups on administration initiatives. In the past year, my Deputy, Mr. Steeves, who is sitting to my right, and I met with leaders of these groups more than 180 times. Their views are incorporated into Office projects or brought to the attention of Federal policy officials in other forums.

CONSTITUENT RESOURCE EXPOSITION

A major consumer project in 1983 was the very successful Constituent Resource Exposition held in the Cannon Caucus Room. More than 1,400 congressional staffers received updated copies of our popular Congressional Liaison Handbook and also learned how to access Federal resources more efficiently and, of course, to expedite replies to constituent correspondence.

DISTRIBUTION OF CONSUMER'S RESOURCE HANDBOOK

We are especially proud of our 1984 update of the Consumer's Resource Handbook, copies of which we will leave with you, Mr. Chairman. The President received his copy in a recent Oval Office ceremony. Members of Congress have already requested more than 175,000 copies for their constituents. In all, I think this calendar year we expect to distribute 1.4 million copies to help individuals and consumer assistance professionals solve marketplace problems.

COUNTERFEIT PRODUCT EXHIBITION

We do try unique ways to reach citizens on important problems they may face personally. I am most happy to advise the subcommittee that staff negotiations have led to a commitment from the International Anti-Counterfeiting Coalition to join later this spring with USOCA and the U.S. Customs Service to finance and operate a major exhibit on counterfeit products in the historic Customhouse Building in New Orleans. The exhibit will be located in a high-traffic area immediately adjacent to the 1984 World's Fair. I would not be surprised if at least half a million consumers visit this fair and are warned about the dangers of counterfeit products.

JOINT EFFORTS WITH UN

In our efforts to contribute to policy development, I am personally very pleased with our joint efforts with UN Ambassador Kirkpatrick and her staff in the December 1983 briefing held in New York at the UN Headquarters. This was a briefing of senior corporate officers and Government executives. We believe it increased understanding of UN activities aimed at regulating international business and commerce.

SECOND ANNUAL NATIONAL CONSUMERS WEEK

The second annual National Consumers Week held in April 1983 was impressive. Mr. Chairman, I would like to provide to the committee a summary of the initiatives undertaken by thousands of educators, business leaders, and consumers across our Nation. We are well on our way to an even more impressive third National Consumers Week beginning on April 23.

CONSUMER ACTION PANELS

Finally, Mr. Chairman, our efforts in 1983 included fruitful voluntary action by industry, Government, and business. Responsible business associations are expanding voluntary industrywide consumer action panels that we initiated many, many years ago. This is to help resolve difficult retail marketplace problems.

Later this year we expect the Direct Selling Association to establish one of these consumer action panels to cover door-to-door and party plan sales. These are marketing techniques which have historically been the source of significant consumer problems.

ROLE OF CATALYST/COORDINATOR

In our program for 1985 we will continue to act as a catalyst/coordinator with emphasis on three areas. To enhance the quality of goods and services, we will provide forums for consumers to be aware of counterfeit products and we will work with national standards developing groups to encourage improved opportunity for consumer involvement in standards development.

We will also strive to make the Federal establishment more responsive to our citizens. In addition to reprinting an updated version of the Consumer's Resource Handbook, we will be working through the Consumer Affairs Council to encourage Federal agencies and their consumer affairs professionals to improve their skills and procedures to assure a courteous, helpful relationship between the Government and its citizens.

We are also exploring ways to encourage the use of plain English in Government information and regulations.

1985 USOCA information and education programs will include reports on deregulation and messages to consumers on the benefits from shopping carefully, reading warranties, and bringing to the attention of merchants defective merchandise or poor service.

Mr. Chairman, members of the committee, we would be pleased to expand on these points and to address any questions you may have on our formal request.

Senator GARN. Thank you very much.

INTERAGENCY ACTIONS

How many cases of rulemaking agency regulatory proceedings were you involved in during fiscal year 1983?

Mrs. KNAUER. Mr. Chairman, the U.S. Office of Consumer Affairs filed only a few formal comments the last year. But in the whole regulatory area, the Office has reviewed a large number, perhaps as many as a hundred, in which we have made our views known to the various agencies.

There are various reasons for not filing a formal comment in a given rulemaking. Usually it is because we have already injected a consumer viewpoint during the early stages of the process. Some formal comments that we filed in 1983 include food and sodium content labeling. They were filed with FDA. Also, we filed comments on coal transportation costs with the ICC. Other important comments on consumer issues included those on tire grading standards, car bumper standards, hypothermia awareness, and mail order consumer protection. We maintain almost constant contact with the lead agency during a regulatory action.

Senator GARN. Would you anticipate your level of activity in this area would be approximately the same in 1984?

Mrs. KNAUER. Yes, we think it will be probably the same in 1984 as it was in 1983. That is, about 8 or 10 comments a month.

Senator GARN. Would you provide for the record a list comparing fiscal year 1983 and fiscal year 1984 estimates by Federal agencies or organizations and a brief description of the actions involved?

Mrs. KNAUER. USOCA rulemaking and regulatory actions break down to roughly three major categories. About 60 percent of our staff effort involves traditional consumer agency rulemaking activities; for instance with FTC, FDA, the Consumer Product Safety Commission, and, of course, USDA. Then about 20 percent of our effort in rulemaking involves special constituency groups like the aged or the disabled. These comments would normally go to Treasury, Department of Education, Justice, or HHS, depending upon the subject.

We also deal with broad-based consumer issues. Again, about 20 percent of the comment effort on our part deals with such issues as trade, energy, transportation, credit, and financing. These comments go to the ITC and the U.S. Trade Representative, Department of Energy, and ICC.

Senator GARN. Thank you.

CONSUMER INFORMATION CENTER

You were the founder of the Consumer Information Center in 1970 under President Nixon. The Consumer Information Center is proposing some significant changes in its program direction.

Would you comment on what they have accomplished to date and whether you think they should continue in the same direction?

Mrs. KNAUER. Mr. Chairman, I am very pleased that I had a principal role in the formation of the Consumer Information Center in October 1970. The unit, as you know, was a direct outgrowth of President Nixon's consumer message to the Congress in 1969.

Executive Order 11566 creating the CIC gave me supervisory responsibilities, which I have exercised over the years. I think in the intervening years the Consumer Information Center has built up a great record. It has become recognized as a central contact point for vital consumer information that is distributed by the various departments and agencies. And for the Federal agencies themselves, I think that the CIC has become a source of technical assistance in the development of consumer information—very professional, sophisticated assistance.

Then there is the cost. I think this is an important factor. The cost to the participating agencies for distribution of publications is significantly less than if each of those agencies distributed this material themselves.

I would like to add, Mr. Chairman, that in the 14-year history of the Consumer Information Center, it has become recognized by the general public through the quality of its consumer information. I might add, in the past most has been free.

Also I believe the Consumer Information Center's witty TV commercials made it a household word. I know when I go across the country to make speeches and to do interviews, when I mention the CIC's address, Pueblo, Colo., 81009, it is instantly recognized. You don't really have to repeat it.

I would just say that they have been doing a great job and they should continue in the same successful path as they have in the past.

PROPOSED GSA CHANGES

Now with reference to the proposed GSA changes, they will, perhaps, provide hard data on which to make an enlightened decision for the longer term. I would hope that if experience shows that the new policy is counterproductive to the CIC mission of bringing consumer information to the public and also sharing the Government's expertise with the public in a meaningful way, that the proposed plan would be reviewed and revised.

Under my CIC supervisory responsibilities, I would like to say that in the meantime, the U.S. Office of Consumer Affairs is concerned, and we will be monitoring the effect of these changes on consumers.

FISCAL YEAR 1985 PRIORITIES

Senator GARN. Could you indicate for the committee what your five top priorities for the Office in fiscal year 1985 are in order of importance to you?

Mrs. KNAUER. Yes, Mr. Chairman. I think to explore new and innovative ways to exert a national leadership role in consumer education is probably the primary priority. As you know, under the reorganization last summer, we established a new Division of Consumer Education. We are looking at options to tap the brightest persons across the country—particularly consumer educators and bright young scholars—for the purpose of giving us guidance and also for the purpose of integrating consumer education into traditional basic subjects. We feel that with the return to basics there is going to be an even greater need to stress the consumer education part of basics.

Second on our priority list would be to develop a better awareness of and participation in international trade issues that impact on the consumers' well-being.

Third, we would also like to establish more voluntary and market-oriented approaches to consumer issues and concerns, of course, by stimulating business to encourage appropriate changes by nonregulatory means. By that I mean voluntary action on the part of the private sector to solve consumer problems.

I think fourth on our list of priorities would be to focus on the specific problems of those consumers with special needs, such as the disabled, the aged, or those with special health problems.

HELP FROM PRIVATE SECTOR

And, finally, I think that a very important priority which we list as fifth, but I think it is pervasive throughout the whole list, is to encourage more consumer information and informational materials, underwritten in whole or in part by the private sector. We are doing this now. I have some consumer information with me that we have produced, but depend upon the private sector to print and help us distribute. This is most helpful to us, whether it is American Express, AT&T or any other firm. Just recently for National Consumers Week, Sears did posters for us. This is a sample. In all, 80,000 have been designed, printed, and distributed. Sears gets a credit line on the poster indicating it was done in cooperation with us.

But there is a lot of help in the private sector. We are tapping it. For instance, this is one of our 400,000 initial alerts stressing "Consumers Mean Business," the National Consumers Week motto. This was printed by the American Council on Life Insurance. Just recently, 7-Up produced a very substantial booklet on how to run a consumer week because a lot of people want to get into the action. They want to contribute at the grass roots level, but don't always know how to do it.

Then, working with the Electronics Industry Association, we coproduced a booklet, "How To Buy a Home Computer" and also a booklet, "How To Buy a Phone."

CONSUMER'S RESOURCE HANDBOOK

Senator GARN. You indicated that the USOCA has recently begun the distribution of the updated Consumer's Resource Handbook. What are some of the channels and methods you will use to distribute the 1.4 million copies in 1984?

Mrs. KNAUER. 600,000 individual copies are being mailed to consumers who write directly to the Consumer Information Center. A total of 175,000 were sent directly to congressional offices in Washington and respective districts; half a million will be distributed directly by each of the 20 participating Federal agencies to their constituencies; and 125,000 copies will be used to meet bulk distribution requests from individual organizations from a designated GPO distribution point.

Senator GARN. Have you performed any evaluation to determine which types of information the consumer considers most useful and which types are used most frequently?

Mrs. KNAUER. Mr. Chairman, because of the cost, we have not undertaken a formal comprehensive user evaluation. But we have received a lot of unsolicited comments, largely complimentary, and some with suggestions of how to improve our product. We did incorporate these in the 1984 edition. For instance, the more comprehensive index is a result of these comments as is the expansion of the corporate section references and the placement of that section in the forward part of the handbook. We have already received very flattering comments from recipients that these have been most helpful.

We distribute the handbook to all of the TV, radio, and print consumer reporters who use it. They found it accurate in the past. They use it extensively. It is just impossible to estimate how much good will be done by the handbook, but when I make speeches around the country and do media interviews, commentators and consumer reporters show me very well-used copies of the handbook they have been referring to all year. So we feel that the handbook has a multiplier effect by being put in the hands of the media.

SUBMITTED QUESTIONS

Senator GARN. I appreciate your testimony very much today. I have an additional eight pages of questions, as with the other agencies, that I will submit to you for your response in writing.

Mrs. KNAUER. Thank you for the privilege of the testimony, Mr. Chairman.

Senator GARN. Thank you very much.

[The following questions were not asked at the hearing but were submitted to the Office for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

CONSUMER EDUCATION

Question: I notice, Mrs. Knauer, that according to the organization chart in the USOCA budget justification (page 20) a new Division of Consumer Education has been established. What do you hope to accomplish by this action?

Answer: Our Executive Order 11583 includes a responsibility that USOCA "encourage, initiate, coordinate, evaluate and participate in consumer education programs." Over the years USOCA has pursued this vigorously, but in general rather than in specific ways. We are making headway. The average citizen is more aware of unit pricing, warranties, credit terms, etc. But, I still see signs of "consumer illiteracy." Too often I hear of high school graduates who cannot balance a checkbook, who do not know how to shop for credit, or who are not aware of or don't use product testing publications before they buy expensive merchandise. I am convinced that the significant, long-term benefits to consumers will be through increased consumer education and information. That is why I have established a new Division of Consumer Education -- to give visible national attention to this important area. We are looking at options such as bringing in nationally recognized educators to give us guidance, and looking at ways to draw on ideas of young scholars. In addition, we are looking at ways to foster better integration of consumer education in the curriculum of grades kindergarten through college.

THE WORLD'S FAIR

Question: You have just indicated in your opening statement that the office will join with the U.S. Customs Service and the International Anti-Counterfeiting Coalition in an exhibit on counterfeit products. What types of products are the most often counterfeited?

Answer: The most common consumer products counterfeited are records, audio tapes and motion pictures, but there are other major products, some of real concern in the health and safety area. Roughly, the other major areas are auto parts, apparel and textiles, hi-tech items such as personal computers, cosmetics (e.g., shampoos, perfumes and toilet articles), sporting goods, time pieces, leather goods, toys and pharmaceuticals and medical devices (e.g., heart pumps and pacemakers). I'm not sure of the details, but there are documented cases of deaths resulting from counterfeit goods used in helicopter repair and consumer purchases of phoney pharmaceuticals.

Question: How much have you budgeted to support the World's Fair Exhibit?

Answer: Our total expenditure will be between $8 to $9 thousand. Our expenditure will be for travel and participation with others in the construction of the display. Except for rental and related overhead costs being borne by the U.S. Customs Service, all other expenses are being picked up by the industries most affected by the counterfeit problem through their trade association (International Anti-Counterfeiting Coalition).

Question: How much of this is for travel?

Answer: One advance trip has already been made to the site, and we are planning one more trip for two people to open the exhibit during NCW. Total cost of travel should be not more than $1,000.

Question: How many USOCA personnel will be traveling to the 1984 World's Fair in an official capacity?

Answer: There are no plans for future travel to the site other than what I have already said. We have designed the exhibit so as not to require future oversight from my office.

CONSTITUENT RESOURCE EXPOSITION

Question: Your opening statement refers to the 1983 Constituent Resource Exposition at which more than 1,400 Congressional staffers learned how to provide more efficient constituent liaison on consumer issues. Do you plan to update the information and conduct similar meetings during FY 1984 and FY 1985?

Answer: We believe it would be more cost effective to eliminate the 1984 Exposition and concentrate our efforts on the 1985 Exposition so that we can provide information to new members of Congress and their staffs.

NATIONAL CONSUMERS WEEK

Question: You have mentioned National Consumers Week over the past years budgets. What is the Federal role in National Consumers Week and why is it important for the Federal government to be so involved?

Answer: The President has proclaimed the nationwide observance of National Consumers Week, and has designated the Office of Consumer Affairs to organize the participation of forty-four Federal agencies which have consumer affairs offices, and to encourage grassroots observances in hundreds of communities around the country. The results are beneficial to the economy by improving the relationships between consumers and business, by encouraging self-regulation which reduces the burden of Federal oversight, and by increasing the competitive advantage of American business and industry.

FY 1984 PAY SUPPLEMENTAL

Question: You are requesting a FY 1984 pay supplemental of $35,000. What was your request to OMB for this purpose?

Answer: The same, $35,000.

Question: Why can't you apply more of the $129,000 in savings from Standard Level User Charge (SLUC) savings to cover this shortfall in FY 1984 pay requirements?

Answer: The $129,000 is needed to cover increases in costs which were not anticipated in the FY 1984 budget request. Of this amount, $60,000 will be used to meet higher charges for publications distribution by the Consumer Information Center. The FY 1984 budget assumed 25 cents per publication distributed, and the CIC rate is now expected to average 31 cents. The remaining $69,000 will be used primarily for higher than anticipated personnel costs during FY 1984. We had hoped to be able to reduce the average grade and salary of our staff. So far this year we have made headway. We cut the grade from 10.92 to 10.70 today, but our original projection in the FY 1984 budget of 10.31 seems overly optimistic, and it will cost us considerably more to keep our current and planned staff on board. We would like to cover the $35,000 for the pay raise in 1984, but we have absorbed past pay raise increases as part of our base costs. For example, $76,000 for the October 1982 and January 1983 salary increase and Medicare are being absorbed in 1984.

Question: What would be the impact if Congress did not approve either of these requests?

Answer: We would have to increase our position vacancy rate and put a freeze on distribution of USOCA publications out of the Consumer Information Center.

TRAVEL AND TRANSPORTATION

Question: Your budget justification indicates a budget request of $45,000 for travel and transportation each year for FY 1984 and FY 1985. This is 60% above the FY 1983 figure. Would you please provide an indication of the distribution of these funds for FY 1983, FY 1984 and FY 1985?

Answer:

	FY 1983	FY 1984	FY 1985
Office of the Director	$17,000	$24,500	$24,500
Division of Consumer Education	3,000	5,000	5,000
Division of Organizational Liaison	3,000	8,000	8,000
Division of Information	2,000	3,000	3,000
Division of Policy Analysis	2,000	3,000	3,000
Office of the General Counsel	500	1,000	1,000
Management Staff	500	500	500
	$28,000	$45,000	$45,000

During FY 1983 we held travel and other controllable costs to minimum levels. Approval for travel is on a case-by-case basis and is centralized. Whenever possible, we send only one person on a trip and try to hit a number of cities in one swing. We stringently applied this criteria during FY 1983. Our cost cutting efforts were successful. However, our mission of outreach, information and education initiatives at the grassroots level in 1984 and 1985 will dictate considerably more travel than we had undertaken in 1983. Thus, the $45,000 travel level is a minimum needed to carry out our programs.

FEDERAL HANDLING OF CONSUMER COMPLAINTS

Question: I understand that you are talking of a follow-up to the 1979 consumer complaint sutdy. Would you provide for the record some details of the Consumer Affairs Council initiative to update "Consumer Complaint Handling in America?"

Answer: The study you mention was initiated during the Nixon Administration and continued in the Carter Administration. It was the basis for development of a standard for complaint handling that was recognized in the development of the Executive Order establishing the Consumer Affairs Council. Handling of complaints is common to almost all members of the Council. So, the Council is studying the need for and the best way to approach an updating of the fundamental study. It is possible, however, that this study might be better done under the direction of a single agency or a limited number of agencies having responsibilities for marketplace activities which are the subject of many consumer complaints.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

AVERAGE GRADE LEVEL

Question: About half or your staff is at a GS-12 level or higher. Isn't this a disproportionate number of upper grade employees for an agency?

Answer: The average grade for USOCA employees reflects the policy coordinating and liaison responsibilities of our professional staff. It is consistent with other organizations performing similar responsibilities throughout the government. For example, the average grade for some of these other organizations in FY 1984 is estimated as follows: Office of the U.S. Trade Representative, 11.49; Office of Environmental Quality, 12.83; Office of Federal Procurement Policy, 11.79; National Mediation Board, 11.27; and the Council of Economic Advisers, 10.89. We in USOCA continue to work to assure that the grade of new appointees is at the minimum level consistent with our mission. Following this policy we have been able to reduce the number of high grade employees.

AUTHORIZED POSITIONS

Grade	FY 1982	FY 1984
GS-15	9	6
GS-14	6	5
GS-13	3	3
GS-12	6	5

The average grade level of all employees in USOCA has been reduced from 11.2 in FY 1982 to 10.9 in FY 1983. Today it is 10.7.

PUBLICATIONS DISTRIBUTION

Question: You have $310,000 budgeted for the USOCA share of publications distribution costs for the Consumer Information Center. How was the USOCA share calculated?

Answer: The USOCA share is based upon the number of USOCA sponsored publications we expect to distribute through the Center in FY 1985. CIC officials have advised that the cost for distributing a publication will be 37¢. Thus the budget request of $310,000 would provide for distribution of approximately 840,000 individual publications. This compared with 1.1 million publications distributed in FY 1983 and one million publications in FY 1984.

Question: What publications are involved?

Answer: Estimated distribution of publications in FY 1985 is as follows.

Consumer's Resource Handbook	500,000
Direct Contacts for Consumers	40,000
Your Keys to Energy Efficiency	40,000
Heat Stress	5,000
How to Buy a Computer	50,000
How to Buy a Telephone	100,000
Mail Order Rights	100,000
NOW Bank Accounts	5,000
TOTAL	840,000

FOOD INFORMATION ACTIVITIES

Question: What specific activities do you envision in FY 1985 in the food packaging and labeling area? How will these be coordinated with USDA?

Answer: Concerning packaging, many consumers will need information about new packaging methods such as retort pouches. Similarly, consumers, increasingly sensitized to concerns about the effect of certain constituents of food on health, will be seeking information about these substances on food labels. As we have with sodium, we will be identifying specific information areas that are of particular concern to significant sectors of the consumer population. We will work with USDA and HHS to encourage industry to make meeting these information needs a marketing tool because competition on information can produce faster, more effective and less costly results than regulatory requirements. Areas on which we expect to be focusing this technique, besides sodium, include potassium and possibly cholesterol and saturated fat content of foods. We will coordinate with USDA, as we do with most Federal agencies, primarily through the agency's Consumer Affairs Council designee, and secondarily through our frequest contacts with USDA senior staff.

Question: What specific activities do you anticipate in FY 1985 in the areas of ultra high temperature milk and irradiated foods? How will these be coordinated with USDA?

Answer: Because these products embody new techniques which challenge entrenched consumer perceptions and beliefs, many consumers will be uncomfortable with them. But, because they also offer substantial economic and quality gains, it is important to consumers that they learn to understand and accept them. Our activity will focus primarily on raising industry consciousness of consumer concerns and confusion about these techniques and the importance of consumer information as a marketing tool. In addition, we will work in cooperation with USDA and HHS and the industry to direct the attention of consumers across the country to these products, their safety and usefulness.

HELD HELP RADIO SERIES

Question: You mention you will be using/studying satellite transmissions as a possible substitute for the present HELP radio series. Please elaborate.

Answer: We are always looking for ways to improve our public service radio broadcasting -- in response to the needs of both broadcasters and the information needs of consumers. We have learned through numerous contacts with broadcasters and radio experts that, while our four-minute tape programs are useful, the industry makes greater use of 10 and 90-second information spots. These spots are used not only as public service announcements, but at the broadcaster's option, can be used as news feature actualities as well. This increases the potential utility of our radio programming.

Technological developments have made satellite transmission of broadcast spots an efficient way to disseminate this information -- comparable in cost, if not less costly, than tape duplication and mailing. Radio spots transmitted by satellite are also more timely than taped spots. A spot beamed by satellite can be produced and disseminated within a 24-hour period, whereas a spot on tap takes from four to six weeks or more from the time it is recorded until it is received by radio stations. Thus, our ability to respond to rapid developments is greatly enhanced through direct satellite transmission.

We are still learning more about our options with respect to satellite broadcasting while we continue to produce taped radio programming. We expect to continue sending tapes through FY 1984, and will make a decision later in this fiscal year on whether to proceed with satellite transmission.

USOCA TRAVEL

Question: Please provide a list of travel undertaken in FY 1983 and FY 1984.

Answer: Fiscal Year 1983

Number	Traveler	Destination	Obligation
01	H. Seltzer	Ontario, Canada	$ 740.57
02	V. Knauer	Miami, Florida	1,006.18
03	C. Cavagnaro	Philadelphia, Pa.	135.93
04	R. Steeves	Vancouver, British Columbia	23.75*
05	R. Steeves	St. Louis, Mo.	363.32
06	R. Steeves	Cambridge, Mass.	468.55
07	C. Nyheim	Miami, Florida	427.51
08	V. Knauer	New York, New York	179.50
09	T. Fleming	New York, New York	202.08
10	M. E. Quint	Detroit, Michigan	274.50
11	V. Knauer	Philadelphia, Pa.	116.75
12	R. Steeves	Oklahoma City, Ok.	no cost
13	V. Knauer	Detroit, Michigan	433.16
14	V. Knauer	Cincinnati, Ohio	472.00
15	D. Rumelt	California	no cost
16	L. Mohr	Birmingham, Alabama	86.50
17	A. Barnes	Wilmington, Delaware	72.55
18	V. Knauer	Aiken, South Carolina	292.50
19	R. Steeves	Los Angeles, California	428.11
20	V. Knauer	New York, New York	226.60
21	C. Mehuron	California	no cost
22	M. E. Quint	Bel Air, Maryland	41.60
23	J. Burstein	Wash.,D.C. from Kingston, N. Y.	248.30
24	N. Kirschbaum	Wash.,D.C. from Madison, Wisc.	353.50
25	M. Thompson	Wash.,D.C. from Bridgeton, Ind.	380.60
26	V. Knauer	Travel cancelled	---
27	J. Dawson	Philadelphia, Pa.	146.50
28	J. Dawson	New York, New York	218.50
29	V. Knauer	Detroit, Michigan	248.52

* Balance of FY 1982 trip.

Senator Huddleston—Continued

Number	Traveler	Destination	Obligation
30	M.E. Quint	White Sulphur Springs, W. Va.	165.70
31	J. Dawson	Detroit, Michigan	279.27
32	R. Steeves	Detroit, Michigan	266.72
33	L. Mohr	Tallahassee, Florida	555.00
34	P. Faley	Miami, Florida	470.15
35	V. Knauer	Boston, Massachusetts	88.00
36	J. Yates	Detroit, Michigan	570.58
37	C. Cavagnaro	Kansas City, Missouri	514.96
38	L. Mohr	Kansas City, Missouri	483.95
39	V. Knauer	Philadelphia, Pa.	104.75
40	M. E. Quint	Lake Geneva, Wisconsin	$ 359.00
41	V. Knauer	New York, New York	88.00
42	V. Knauer	Boston, Massachusetts	154.14
43	A. Chapman	Detroit, Michigan	405.21
44	H. Seltzer	Travel cancelled	---
45	L. Mohr	Hartford, Connecticut	290.00
46	K. Rosenblum	Wash., D.C. from Long Island, N.Y.	209.15
47	J. Dawson	New York, New York	245.65
48	V. Knauer	Lancaster, Pa.	165.50
49	M. E. Quint	Orlando, Florida	289.50
50	V. Knauer	New York, New York	174.50
51	H. Seltzer	New York, New York	229.00
52	T. Fleming	Guatemala	no cost
53	V. Knauer	Philadelphia, Pa.	68.40
54	P. Faley	Los Angeles, Calif.	573.02
55	P. Faley	Virginia Beach, Virginia	172.70
56	R. Steeves	Los Angeles, California	601.80
57	A. Barnes	Nashville, Tennessee	625.75
58	C. Mehuron	New York, New York	158.00
59	V. Knauer	New Orleans, Louisiana	337.50
60	R. Steeves	Baltimore, Maryland	33.99
61	V. Knauer	Chicago, Illinois	224.10
62	R. Steeves	Chicago, Illinois	231.55
63	A. Barnes	Portland, Maine	808.45
64	J. Dawson	Wilmington, Delaware	86.00
65	T. Fleming	Chicago, Illinois	275.63
66	P. Faley	New York, New York	159.50
67	R. Steeves	Boston, Massachusetts	298.80
68	T. Fleming	Boston, Massachusetts	382.15
72	R. Steeves	California±	1,164.00
73	T. Fleming	California	600.00
74	V. Knauer	Hershey, Pennsylvania	187.00
75	V. Knauer	Tamarac, Florida	340.00
76	V. Knauer	Chicago, Illinois	194.00
77	P. Faley	Chicago, Illinois	214.00
78	J. Dawson	Detroit, Michigan	250.00
79	A. Dahl	Wash., D. C. from New York, N.Y.	163.00
80	F. Marvin	New York, N. Y.	388.00
82	D. Rumelt	Atlanta, Georgia	370.00
83	C. Cavagnaro	Grand Rapids, Michigan	260.00
		Fiscal Year 1984	
01	J. Yates	Miami, Florida	660.00
02	P. Faley	New York, New York	429.09
03	USOCA Staff	New York, New York	930.00
04	C. Cavagnaro	Nashville, Tennessee	287.00
05	J. Goodman	Nashville, Tennessee	210.00
06	M. Petersen	New York, New York	724.00

Senator Huddleston—Continued

Number	Traveler	Destination	Obligation
07	A. Barnes	Minneapolis, Minnesota	388.00
08	J. Dawson	Ft. Lauderdale, Florida	399.00
09	C. Mehuron	Atlanta, Georgia	383.00
10	V. Knauer	Oklahoma City, Oklahoma	404.00
11	C. Cavagnaro	New York, New York	109.00
12	R. Steeves	New York, New York	126.00
13	D. Rumelt	St. Louis, Missouri	Trip cancelled
14	D. Rumelt	California	250.00
15	C. Cavagnaro	Oklahoma City, Oklahoma	404.00
16	M. Weidenbaum	Chicago to New York	$ 217.00
17	P. Faley	New Orleans, Louisiana	256.00
18	R. Steeves	New York, New York	201.00
19	V. Knauer	New York, New York	201.00
20	C. Cavagnaro	New York, New York	256.00
21	E. McCrossan	New York, New York	122.75
22	H. Seltzer	New York, New York	116.00
23	C. Cavagnaro	New York, New York	108.00
24	V. Knauer	California	1,057.00
25	P. Faley	Florida	381.15
26	J. Yates	Philadelphia, Pa.	56.00
27	D. Hayden Green	Chicago to Indianapolis	635.00
28	J. Dawson	New York, New York	240.00
29	M. Petersen	Texas	396.00
30	C. Hall	Omaha, Neb., to Wash., D.C.	987.00
31	T. Fleming	Las Vegas, Nevada	701.00
32	J. Dawson	Detroit, Michigan	412.00

GENERAL SERVICES ADMINISTRATION

CONSUMER INFORMATION CENTER

STATEMENT OF TERESA NASIF, DIRECTOR

ACCOMPANIED BY:

ALBERT LINKOUS, SENIOR BUDGET ANALYST, OFFICE OF BUDGET
NANCY POTTER, DEPUTY DIRECTOR, OFFICE OF BUDGET

OPENING REMARKS

Senator GARN. We next have before the committee the Consumer Information Center.

Mrs. Nasif, it is a pleasure to see you again. The Consumer Information Center was established within the General Services Administration by Executive Order on October 26, 1970, with the mission of encouraging Federal departments and agencies to develop and publish practical, relevant consumer information and to increase public awareness of access to this information.

The quarterly Consumer Information Catalog is the primary way that CIC is able to promote public awareness of Federal publications. To help offset the Federal Government's cost in providing this information, CIC is charging a user fee of $1 for two or more free publications from the catalog.

This year you are requesting $349,000. This represents a decrease of $1 million from your current fiscal year 1984 level.

Would you please proceed with your statement.

OPENING STATEMENT

Mrs. NASIF. Thank you, Mr. Chairman.

Mr. Chairman, and members of the subcommittee, on behalf of Gerald P. Carmen, Administrator of the General Services Administration, I want to thank you for the opportunity to be here today to discuss GSA's fiscal year 1985 budget request for the Consumer Information Center.

The CIC assists Federal agencies in their efforts to promote and distribute consumer information. We promote public awareness of Federal consumer information through publication of the quarterly Consumer Information Catalog and through various media services. In addition, we coordinate distribution of Federal consumer publications from a centralized facility in Pueblo, Colo.

CIC plans to undertake several new initiatives that will significantly expand the scope of its program activities. We believe the new initiatives will be beneficial both to the public and to other Federal agencies.

The overall objectives are to provide increased support to other Federal agencies by promoting a wider range of information while moving CIC toward operating on a fully reimbursable basis.

NEW PLAN COMPONENTS

The new plan includes the following components:

One. Broadening CIC promotion efforts to include a wider range of information products as well as a wider variety of audiences. These efforts will benefit CIC's established audiences as well as new audiences such as the business and academic community and other Government agencies by increasing their awareness of and access to Federal information.

For example, awareness of available Federal grants would benefit potential grantees; awareness and use of Federal procurement data would ease the burden on small businesses of marketing to the Government and thereby increasing competition and reducing costs; and awareness of services provided by the Federal Telecommunications System will improve user agencies' cost-effective utilization of that system. These initiatives will enable the CIC to assist Government agencies to more effectively promote available information and, since they will be performed on a reimbursable basis, will generate revenue to assist in funding the CIC operations.

Two. Our second new initiative is to encourage industry to work with Federal agencies in the cooperative development, promotion, and dissemination of consumer information. An intensified effort in this area will produce an effective Government partnership with industry. It will result in added reimbursements to the CIC fund and in a more effective delivery of information to the public.

Three. We propose to add a CIC promotion fee to the unit cost charged to agencies for distributing their free publications. The fee would help offset CIC staff time and costs incurred for activities such as catalog publication, media promotion, and program evaluation. At present, CIC provides all these services without charge to agencies. This promotion fee will result in user agencies directly funding a portion of CIC program costs.

Four. Lastly, we propose to increase the user fee from $1 to $2. This will result in actual users of CIC distribution services funding a more equitable share of program costs.

In conclusion, this broadened information program will be carried out at the same time that the CIC performs those missions that it has accomplished so successfully over the years. Ongoing contacts will be maintained with Federal agencies and the media, and consumer publications will continue to be distributed nationwide in response to requests from the public.

The Consumer Information Center Fund appropriation request for fiscal year 1985 is for $349,000. This reduced level of appropriated funds requested reflects the stated goal of operating the CIC on a totally reimbursable basis.

Mr. Chairman, I am pleased to provide this brief summary, and I will be glad to answer any questions you might have.

REDUCED BUDGET REQUEST

Senator GARN. Thank you very much.

Your fiscal year 1985 budget justification includes a reduction of $1 million from the fiscal year 1984 appropriation level. Also included in your justification are assumptions concerning revenues from increased user fees, increased CIC marketing fees, carryover funds from fiscal year 1984 user fees, and marketing revenues.

Please explain the rationale for the fundamental changes in your budget proposal. Obviously it is not only a reduction, it is, percentagewise, a very large reduction.

Mrs. NASIF. The proposed changes are in keeping with our Administrator's goal to improve the CIC program and to make it fully reimbursable.

Our proposal to increase the user fee to the public and to begin charging a promotion fee to the agencies is based on the philosophy of making the Consumer Information Center demand-justified and to begin charging users of CIC services for the program costs.

What we plan to do is basically use the revenue that we generate in fiscal 1985 from these changes to cover the program costs that in the past were covered by appropriated funds.

USER FEES

Senator GARN. The $1 user fee on catalog orders for more than one free publication was initiated at the end of fiscal year 1983. The establishment of the fee came after a 10-month study conducted at the request of this subcommittee. The final report of the study indicated that the $1 user fee was indeed a feasible and desirable method for partially recovering the Government's cost of this service.

How much do you expect to collect in user fees during fiscal year 1984 and fiscal year 1985 assuming there is no increase in the user fee level?

Mrs. NASIF. Assuming there is no increase, we estimate we will receive $300,000 in fiscal year 1984 and $300,000 in fiscal year 1985. With the increase to $2 in fiscal year 1985, we estimate that we will generate $500,000 in user fees.

Senator GARN. What is your estimate of the impact of a doubling of the user fee?

Mrs. NASIF. We project that we would lose no more than 1 million publications as a combined result of doubling the user fee as well as implementing the promotion fee to the agencies.

Senator GARN. What about the impact on your customers?

Mrs. NASIF. We think we will see some drop. The 10-month study did test consumer response to different levels of user fees as well as testing consumer response to going from a totally free system to a fee system. We found that there was a significant dropoff going from a totally free to a fee system, but that there was really a negligible dropoff as far as consumer response to different levels of fees.

So we are anticipating that we would see no more than a 10-percent drop in the number of publications distributed as a result of the $2 user fee per se.

Senator GARN. Did you find in your study, that when they are entirely free, that some people were taking them simply because they were free and throwing them away? Do you feel there is some offset to that reduction?

What I am trying to get at is where it isn't quantifiable, it is actual use, not just numbers distributed. I found when I was mayor of Salt Lake City, if we gave something away free, some people would take it just because it was free and thumb through it and say why did I take that and throw it away.

Mrs. NASIF. Well, I guess the user fee concept was a value test to the program, and we did see a 40-percent drop in the number of publications being distributed by the Consumer Information Center as a result of the user fee being implemented. But we don't know what the precise reasons are that people stopped ordering. We don't know if the $1 user fee was an obstacle in terms of it being too expensive or if, in fact, once we charged the user fee the person that was not an avid, interested user of the catalog was the one that was deterred by it.

Senator GARN. I would assume that there are some that would take it, if it is free. I experience that myself. You go through a grocery store line and there is some publication there that is free, you pick it up just to look at it. If it had $1 on it——

Mrs. NASIF. You would stop and think before taking it.

PROMOTION FEE

Senator GARN. So I suppose there is some offset there.

In your opening statement you have just referred to the creation of a promotion fee which would reimburse CIC for services. I note that these CIC services have been performed for the past decade without a charge to user agencies.

What fee do you have in mind and how did you arrive at that figure?

Mrs. NASIF. We propose adding a 5-cent fee to the unit cost agencies are paying for distribution of their publications. In fiscal 1985, the unit cost will be 32 cents. We think by adding a modest fee of 5 cents it will enable us to generate revenue in the neighborhood of $350,000. That will help to cover the CIC cost for services that we have in the past performed free for agencies, such as the publication of the Consumer Information Catalog, manuscript review of the publications in the developmental stage, media promotion, and publication evaluation services. We think that 5 cents is a very modest and fair fee considering all of the services that agencies will be receiving in exchange for it.

We also think that a total of 37 cents is still very competitive with mailing costs that agencies would have to incur if they were going to the private sector just for mailing services. We continuously monitor the costs that private mailers charge for services similar to ours because we want to make sure we are cost competitive and that we provide good value for what we are charging. So even at 37 cents we feel we will be a good value for the agencies. Our most recent survey indicated the cheapest private mailer rate that we found was 46 cents just for distribution.

Senator GARN. Have you done any studies to determine the effects of an additional fee on your cooperative arrangements with other Federal agencies?

Mrs. NASIF. No, Mr. Chairman, we haven't done any specific studies to test it out. But just based on what we know as far as services available in the private sector, we are confident that agencies will think that we are a good value at the 37-cent level.

MEDIA PROGRAM

Senator GARN. In your fiscal year 1984 budget justification you described a four-part media program which included "Federal Consumer Focus," "New for Consumers," media hotline, and public service campaign. The justification this year was lacking in details about these programs. Does this indicate they have been deemphasized?

Mrs. NASIF. No, it does not. We are continuing the four-part media program at the same level as in years past.

"Federal Consumer Focus," are our information releases that we mail to reporters at radio and television stations. We have a mailing list of about 6,500 persons who have requested to receive scripts every month on a variety of consumer issues.

We have continued the "New for Consumers" information releases to newspapers, magazines, and the wire services. We maintain a list of about 6,000 names for that.

The use of the media hot line has increased and we see it increasing even more in the future. Reporters call us at their own expense to receive help in developing consumer stories and in finding experts in the Government to answer specific questions that they might have about a consumer story they might be writing.

We receive about 500 phone calls a year, and we project that number will actually increase in fiscal 1984 and 1985.

We are also continuing the public service campaign portion of our media program. In fiscal year 1983, the public service campaign, consisting of public service announcements we distributed to radio, television, newspapers, and magazines, was a little bit different than past years. The TV spots were re-releases of previously produced spots. And as far as the radio and magazine and newspaper announcements, we actually did the developmental work ourselves in-house. It was a cost-savings measure and we were very pleased when the talent at our own organization was able to produce print ads that received a greater response from the public than those produced in the past by a private advertising company.

LEVEL OF ACTIVITIES

Senator GARN. Could you provide for the record some specifics about the level of activities for each of these programs during fiscal years 1983, 1984, and 1985?

Mrs. NASIF. I would be glad to.

[The information follows:]

CONSUMER INFORMATION CENTER MEDIA PROGRAM

The CIC media program brings information to consumers through a variety of means: radio, television, newspapers, and magazines. Topics covered are as diverse as car repairs, small business management, health care, employment choices, and interest rates. The print information service, "New for Consumers," and the broadcast script service, "Federal Consumer Focus," reach the American public with news about consumer warnings, money saving ideas, Federal research, and other Federal programs that affect the public. The public service announcements appearing in donated broadcast time and print space inform the public about the availability of the Consumer Information Catalog. In addition, the CIC responds to many questions from members of the media about consumer topics and helps them find answers within the Federal Government.

The chart below summarizes the FY 1983 media program activities and gives an estimate of 1984 and 1985 levels.

	FY 1983 ACTUAL	FY 1984 ESTIMATE	FY 1985 ESTIMATE
1. Print media releases highlighting Federal consumer information (New for Consumers)	50	52	52
2. Sets of electronic media scripts (Federal Consumer Focus)	11	10	10
3. Public service advertising programs for the media	3	3	3
4. Media hot line calls requiring research	500	550	625
5. Media hot line calls checking on stocks or requesting review copies of publications	700	770	800

During FY 1983, the CIC's media program involved the following four activities:

1. New for Consumers -- Weekly, the CIC sends these releases to more than 6,500 newspaper, magazine, and freelance writers and editors as well as consumer educators, group leaders, and libraries. The releases highlight publications from the Catalog and are used by the wire services, newspapers, and magazines all over the country.

The "New for Consumers" releases often result in mentions in the largest magazines. For example, Parade's 40 million readers were informed about three of the booklets listed in the Catalog: X-Ray Record Card, Cellulite, and Turning Home Equity into Income for Older

Americans. A special article listing 25 free publications in the June 21, 1983, issue of Family Circle resulted in orders for almost a million booklets. Family Circle's 7.4 million buyers also saw single mentions of CIC booklets in practically every issue. U.S. News and World Report and the U.S. News Washington Letter have highlighted both free and sales publications on the average of three times a month. Business Week has mentioned a number of publications in the "Personal Business" column, and Changing Times used one or more of the CIC booklets in their "Books Worth Writing For" or "Questions and Answers" columns every month.

The "New for Consumers" releases also appear in large daily as well as small weekly newspapers throughout the country. The Associated Press and UPI used the books and releases as the bases for articles throughout the year. Articles have appeared in dailies such as the New York Times, the Salt Lake City Tribune, the Houston Post, and the San Francisco Chronicle, among others. They have also appeared, often verbatim, in weeklies and small dailies such as the Salisaw, OK Sequoyah County Times, the Elgin, IA Echo, the Myrtle Beach, SC Sun News, the El Centro, CA Imperial Valley Press, the Bogalusa, LA Daily News, the Kettering-Oakwood, OH Times, and the Kasson, MN Dodge City Independent. One of the the ways that the releases are used regularly is to serve as the answers to questions sent in to newspaper Action Lines.

2. Federal Consumer Focus -- These releases in script form are sent out monthly to more than 5,500 broadcasters who have requested them. Each package consists of 120-, 60-, 30-, and 20-second scripts on a variety of consumer topics, issues, and warnings. The primary purpose of these scripts is to reach those members of the public who receive their information mainly through the electronic media. Although it is difficult to measure listener response to the scripts, a recent survey of 150 randomly selected broadcasters showed that the scripts were being aired on radio nationwide more than 22,000 minutes a week, on television more than 300 minutes a week, and were used as the basis for more than 400 television news stories a week.

3. Public Service Campaign -- Over the years, the CIC has conducted seven public service advertising campaigns to promote the availability of the Catalog to a greater number of consumers. Public service advertisements have been developed for print and broadcast media and distributed to commercial, educational, and cable tv stations; television and radio networks; radio stations; all daily and weekly newspapers; and major magazines.

In support of efforts to economize in Government programs, CIC re-released the 1979 "Locomotive" television public service announcements (psa's) during FY 1983. These psa's were updated, duplicated, and distributed to all local commercial tv stations and the networks. The ads were also offered and sent upon request to educational and cable tv stations. CIC staff developed in-house live announcer copy radio psa's for distribution to all local radio stations and print public service advertisements that were sent to all newspapers and popular magazines.

The television networks air the CIC psa's throughout the broadcast day, including prime-time slots. For example, during a one month survey in October 1983, the ABC Network donated approximately $180,000 of air time to the CIC re-released "Locomotive" psa's. In this survey, the networks and the local tv stations in the top 75

U.S. markets donated a combined total of more than $400,000 worth of air time for these psa's. Additionally, hundreds of local tv stations and thousands of radio stations in smaller markets donate their time to the CIC.

During 1983, many consumer magazines donated free space for the CIC print ads on a national or regional basis. The reported total dollar value of free space donated for these ads was nearly $640,000 in 1983. Magazines that have used the print ads during the past year include: Family Circle, TV Guide, Fortune, People, House Beautiful, Modern Maturity, Self, Money, Time, U.S. News and World Report, Working Mother, Vogue, and Reader's Digest. The CIC staff also developed a special print ad for Media Networks, Inc., a regional advertising service that provides advertising supplements to major magazines. In 1983, this full-page ad appeared in Newsweek, Business Week, McCall's, Sports Illustrated, Better Homes and Gardens, and numerous other magazines.

The success of the campaign is dependent on network and local airing of the psa's and donation of print space by newspapers and magazines. But the ultimate measure of success is the number of consumers who write for the Catalog. To date, more than 150,000 consumers have ordered Catalogs primarily as a result of FY 1983 public service campaign efforts.

In FY 1984, additional cost-saving plans include the in-house development of print and radio public service advertisements for distribution to all newspapers and major consumer magazines and local radio stations nationwide. The CIC is evaluating the success of the 1983 re-released television campaign to determine whether a rerelease of tv psa's is advisable in 1984. Through these efforts, the CIC will be able to continue promotion of Federal consumer information at minimal cost.

4. Media Hot Line -- The CIC receives many questions from members of the media who call at their own expense for assistance in developing stories or in finding appropriate agency officials who can answer questions about Government programs. The CIC handled more than 500 detailed questions during FY 1983 that required research on everything from the availability of Federal jobs to the sale of surplus Government property to microwave oven safety. In addition, the CIC media staff answered approximately 700 calls from members of the media who were checking on stock levels or asking for review copies of publications.

As the availability of printed Government information has gone down, there has been a corresponding increase in the number of calls from reporters asking for assistance in researching stories. CIC anticipates that this increase will continue.

SLUC CHARGES

Senator GARN. Your fiscal year 1984 payment to the Federal buildings fund is shown to be $43,000, a 14-percent increase over fiscal year 1983, while the fiscal year 1985 figure is $80,000, an 85-percent increase over fiscal year 1984. How much space do you lease from GSA?

Mrs. NASIF. At the time of the budget preparation, we were leasing 3,465 square feet of office space and about 880 square feet of warehouse space. Since that time, we have given up the warehouse space and we have reduced the general office space down to about 2,900 square feet. This is as a result of the GSA space reduction program.

Senator GARN. My specific question is, with you going down in space, why the large increase in your payment to GSA?

Ms. POTTER. Mr. Chairman, the amount of the standard level user charge, as reflected in the 1984 column of the 1985 budget, was limited by the continuing resolution for 1984, Public Law 98–151, to the 1982 rates, plus a 14-percent increase.

The amount requested for the user charge in 1985 is based on the commercially equivalent rates developed for 1984, which is in accordance with the administration's governmentwide decision to hold rates in 1985 to the 1984 level.

The 1984 rates for the space occupied by the CIC also includes an upward adjustment resulting from a recent reappraisal to reflect the current rental market. As a result of the reappraisal, the rate per square foot was increased from $8.43 to $18.31.

Senator GARN. So this is imposed on you by GSA.

Ms. POTTER. It is actually a governmentwide regulation under Public Law 92–313 which says that the Public Buildings Service must charge the commercially equivalent rates.

Senator GARN. We should move to Salt Lake City. We have a lot better space and for less money per square foot. [Laughter]

PAY SUPPLEMENTAL

You are not requesting any funds to meet pay increases in fiscal year 1984. How much will you have to absorb?

Mrs. NASIF. $17,000.

Senator GARN. Where will the funds come from?

Mrs. NASIF. We will be able to absorb it in the personnel category.

Senator GARN. It won't cause you any difficulty, you can absorb it?

Mrs. NASIF. Yes. We are experiencing a vacancy rate a little higher than we had anticipated, so we will be able to absorb it.

Senator GARN. We appreciate your testimony today.

SUBMITTED QUESTIONS

Your budget justification includes several new directions for CIC as well as new and increased fees to supplement a reduction of almost 75 percent in appropriated funds. On January 27, 1984, I wrote and requested additional information on your plans. I will review your response and submit additional questions for the record at a later date.

Senator Huddleston, as well, has questions for the record for each of the agencies that have appeared before the subcommittee today.

Unless you have any additional comments any of the three of you wish to make, I have no other questions for your oral response.

Mrs. NASIF. Thank you, Mr. Chairman.

Senator GARN. Thank you very much.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

DISTRIBUTION OF PUBLICATIONS

Question: Why are you predicting a reduction of 1 million publications during FY 85 from the level estimated for FY 84?

Answer: This prediction assumes implementation of the $2 user fee and an additional marketing fee to agencies. The $2 user fee would reduce Catalog orders by about 10% which would result in 740,000 fewer publications being distributed. We also believe that some agencies may react to our establishment of the marketing fee by reducing the numbers of publications which CIC distributes for them.

CONGRESSIONAL PRESENTATION

Question: The budget justification for FY 85 left out much of the information that was useful to the committee in the past. Would you please provide additional information for the record in areas omitted such as "current activities"?

Answer: Further detailed information about the CIC's programs to identify and evaluate Federal consumer information follows:

Identification of Consumer Information

The CIC's primary function is to provide a centralized and efficient means for Federal agencies to get their message to the public. The agency liaison program is the vehicle by which CIC identifies Federal information dissemination needs and informs agencies of its services. By working closely with program and information staff members in more than thirty Federal agencies, CIC liaison representatives identify cooperative publishing opportunities to maximize agency resources, provide editorial review on new or revised publications, coordinate promotional strategies for priority agency programs, and provide evaluation assistance.

The following examples illustrate agency liaison activities:

1. The CIC staff worked closely with the Food and Drug Administration (FDA) to distribute a special flyer promoting the publication on "Taking Medicines Properly." The flyers which were inserted with Social Security checks during July 1983 urged recipients to write to the CIC in Pueblo, Colorado for additional information on prescription drugs. More than 260,000 consumers have requested the FDA pamphlet as a result of this promotion.

2. During FY 1983, the CIC, in cooperation with the Government Printing Office (GPO), introduced a new category of publications in the Catalog. The low-priced publication (LPP) category permits Federal agencies to distribute through the CIC, booklets which may have been previously unavailable because of budgetary limitations on agency funds for distribution. Copies of LPP's are given to CIC by the publishing agencies. Consumers ordering the booklets pay a 50¢ sales price which covers GPO's costs for postage and handling. Agency liaisons identified the publications, marketed the concept to the agencies, and assured that adequate stocks would be available.

Publications in this category include Fair Credit Billing, Making

Food Dollars Count, The Arithmetic of Interest Rates, Home Fire Safety, and Summary of Veterans Administration Benefits.

3. The CIC actively encourages the private sector to work with Federal agencies in the development of useful consumer information. Cooperative publishing efforts during FY 1983 included Mail Order Rights, developed by the American Express Company in cooperation with the U.S. Postal Service and the U.S. Office of Consumer Affairs (USOCA); Direct Contacts for Consumers, jointly developed by the American Telephone and Telegraph Company and USOCA; and Teen Titans, an LPP category booklet distributed by CIC in cooperation with the U.S. Department of Education, the U.S. Customs Service, the Keebler Company and the President's Drug Awareness Campaign.

4. CIC assisted the U.S. Information Agency and the Consortium for International Citizen Exchange in the development and promotion of One Friendship At A Time: Your Guide to International Youth Exchange. This free publication is listed in the Catalog and the Pueblo, Colorado address is being utilized in an Advertising Council, Inc. media campaign promoting this booklet and program.

5. Annually, the CIC has promoted public awareness of National Consumers Week. In FY 1983, CIC assisted USOCA in this effort by developing print public service advertisements and by distributing a series of releases to the media. CIC has also worked with USOCA to revise and distribute the Consumer's Resource Handbook.

6. CIC helped citizens comply with the Federal regulations regarding Selective Service registration by arranging special media coverage and promotion of the publication Straight Talk about Registration with the Selective Service.

7. Reprints from the FDA Consumer magazine which address a wide range of health, food, and drug issues continue to be popular. In FY 1983, the CIC worked with FDA to disseminate information on topics such as Ultrasound, Tamper Resistant Packaging, The Surgeon's Newest Scalpel is a Laser, Nutrients in Fast Foods, and RDA's: Key to Nutrition.

8. Safety is a priority consumer concern in many subject areas. CIC staff assisted the Food Safety and Inspection Service, U.S. Department of Agriculture, in the development, dissemination and analysis of an evaluation survey of Food Safety for the Family. And CIC worked closely with the U.S. Consumer Product Safety Commission (CPSC) and GPO to include three CPSC booklets, Home Fire Safety, Think Toy Safety, and The Nine Lives of El Gato, in the LPP (50¢) category in the Catalog.

9. The CIC staff has been involved in the GSA's efforts to sell surplus Federal property through the development, media promotion, and distribution of the booklet, Sales of Federal Surplus Real Estate, from CIC's Pueblo, Colorado distribution facility.

10. CIC has continued to support interagency cooperation by chairing bi-monthly meetings of the Consumer Education and Information Liaison (CEIL). CEIL members include consumer affairs and public information officers from more than 100 Federal offices, the consumer media, private consumer organizations, local consumer agencies and consumer

affairs officers in private industry in the Washington, DC area. Meeting topics included the bottom line benefits of consumer education programs, international youth exchange programs, and a national survey of attitudes on consumer issues.

Evaluation of Consumer Information Program

The CIC uses several methods to periodically evaluate the validity and effectiveness of its programs. Development of this type of information is important in efforts to help agencies more accurately and cost-effectively target their information to the desired audience. The following types of evaluation are conducted on an ongoing basis:

1. Publication Distribution Monitoring. In order to judge the effectiveness of various promotional efforts, counts are maintained in Pueblo of the orders generated by mentions in magazines and newspapers and on tv and radio. The CIC also monitors individual publication distribution on a weekly basis with reports from Pueblo's computerized inventory management system. Each quarter, the CIC takes a sample of orders received from each edition of the Catalog. These samples are analyzed to ascertain the relative popularity of items listed in the Catalog. All of these methods enable CIC to determine the most effective promotional strategy for each publication.

2. Evaluation Surveys. Several times a year, the CIC sends questionnaires to its users to determine: their level of satisfaction, demographics, areas of interest, and to solicit comments on specific CIC products and services. Return of these surveys is completely voluntary and the CIC estimates that the time required of respondents to reply to them in FY 1985 will be less than 125 hours. Use of this information is vital in improving service delivery and assisting agencies in meeting their information dissemination goals.

3. Interaction with Consumers and National Organizations. CIC also receives numerous inquiries from the public asking for assistance in resolving consumer problems, making purchases, using products, or budgeting their money. When an existing publication answers the questions, it is mailed to the consumer. In other cases, the inquiry is directed to the appropriate governmental agency or private organization for response. In FY 1983, CIC handled 10,000 such requests. Handling these inquiries provides additional insight into the public's level of awareness about specific topics.

The CIC staff is also in frequent contact with business and consumer leaders across the country to identify consumer problem areas where additional information is needed. Numerous independent organizations, as well as state, county, and city consumer offices, track new developments in consumer issues and provide CIC with a better understanding of these areas. CIC also uses these groups as multipliers to spread knowledge of Federal programs and information to their constituents and to coordinate cooperative projects. During FY 1983, CIC staff members participated in national consumer conferences designed to bring together consumer affairs professionals from government, private industry, education, and consumer organizations. The sponsoring organizations include: the American Council on Consumer Interests, the National Association of Consumer Agency Administrators, the Society of Consumer Affairs Professionals in Business, the Conference of Consumer Organizations, the Consumer Federation of America, the Center for Consumer Services at Oklahoma State University, and the National Council of Better Business Bureaus.

INDUSTRY-FEDERAL GOVERNMENT PARTNERSHIP

Question: You mention an intent to initiate a partnership between Federal agencies and industry to foster the flow of information to the consumer in your opening statement.

Could you elaborate on what you had in mind for this partnership and illustrate some potential examples?

Answer: The CIC has coordinated several joint government/industry information projects. Industries contribute to these cooperative efforts by printing copies of publications for distribution and/or by reimbursing CIC for postage and handling charged by the Government Printing Office.

1. AT&T and the U.S. Office of Consumer Affairs (USOCA) recently worked together under the direction of the CIC to update Direct Contacts for Consumers, a free directory of Federal toll-free and 800 numbers.

2. The U.S. Postal Service, USOCA, and the American Express Company collaborated on a free mail order rights publication which is marketed and distributed through the CIC.

3. The USOCA, the Federal Communications Commission, and the Electronic Industries Association cooperatively developed the booklet How to Buy a Telephone which is being distributed from our Pueblo facility.

4. Our media department has also prepared news releases on topics of current consumer interest with information provided by industry and endorsed by the appropriate Federal agency. Our release on owning your own telephone included information from the American Telephone and Telegraph Company, MCI, and the Federal Communications Commission, and the one on tamper-proof packaging used information from FDA and the Proprietary Medicine Association.

5. The CIC staff assisted the American Council of Life Insurance and the Extension Service of USDA in development of A Consumer's Guide to Life Insurance. We provided editorial review of the booklet which is listed in our spring 1984 Catalog.

Question: How will such partnerships help the CIC fund in a monetary sense?

Answer: These partnerships could result in industry paying CIC for additional marketing efforts to reach targeted audiences or for timely, widespread public service advertising in the event of a product recall or major consumer news story.

PUBLICATIONS CUTBACK

Question: What impact has the recent cutback in the number of Government publications, particularly those of the Department of Agriculture, had on CIC Services?

Answer: USDA withdrew from the CIC free publication program in October 1982 which caused a reduction from more than 50% to 41% free titles in the Catalog. This reduction in the number of free titles has reduced the overall CIC volume of distribution and also has affected the user fee revenues generated by Catalog orders. However, in November 1983, USDA authorized special distribution of much of their remaining stock in Pueblo of more than one million booklets. Specifically, USDA has approved 20 titles to be publicized through major magazine promotions with the provision that USDA not be charged for distribution costs and that they not be required to reprint any booklets. CIC has arranged for the first of these special promotions to appear in Family Circle magazine in June, 1984.

Regarding the cuts by OMB, there have been 3,850 Federal publications eliminated or consolidated as a result of agency efforts to streamline their publishing activities. However only six out of the 3,850 publications were listed in the spring Consumer Information Catalog. We checked these six with the publishing agencies and were told to continue distribution until stocks were depleted. It should be noted that the vast majority of the publications on the OMB list were not consumer oriented.

Question: What impact would you predict for FY 85?

Answer: It has always been part of CIC's mission to help agencies identify the most relevant and cost-effective publications, and to reduce duplication. As a result, the publications selected for the Catalog meet both the agencies' and OMB's strict standards. Therefore, we do not project any significant loss in the number of publications listed in the Catalog in FY 85.

REDUCTION IN PRINTING & REPRODUCTION COSTS

Question: Your estimated costs for printing are down in FY 84 and FY 85. Is this from increased efficiencies or a reduced demand for publication?

Answer: These estimates were based on projections that 18 million Catalogs would be printed in FY 1984 and FY 1985 as compared to 19 million Catalogs in FY 1983. Taking into account an anticipated increase in the per unit cost of printing the Catalogs, the net savings were projected to be approximately $5,000. However, our current plan is to increase the number of Catalogs printed in FY 1984 beyond the 18 million level.

BUDGET SUBMISSION

Question: Was the budget submitted to OMB different from the President's budget justification? If so, in what areas?

Answer: The FY 85 amount of $349,000 requested from OMB was the same amount as requested in the President's Budget.

Question: Was the budget submitted to GSA different from the one GSA submitted to OMB? If so, please identify all of the differences.

Answer: The initial budget request for the CIC Fund for the FY 1985 program was $6,049,000. The same amount, $6,049,000, was requested from OMB. The FY 1985 budget request to OMB reflected a commitment to expand the CIC program and to operate it on a self-supporting basis through alternate sources of funding. In keeping with that commitment the FY 1985 budget request reflects a change in the mix of sources of funding. For example, the request for direct appropriations was reduced from the $1,349,000 in FY 1984 to $349,000 in FY 1985. The remaining $5,700,000 required to support the FY 1985 program is to come from reimbursements from agencies for distribution of publications, user fees collected from the public and other sources originating from the new initiatives discussed in detail in the CIC budget presentation to the Congress.

PUBLIC SERVICE ADVERTISING CAMPAIGNS

Question: In FY 83, this Subcommittee added $52,000 to your request for $18,000 to develop and distribute public service advertising. Would you identify for the record how these funds were actually expended? If there were any deviations from your plan to use the additional funds, could you please explain the reason for these changes?

Answer: We re-released our 1979 "Locomotive" television public service announcements (psa's) during FY 1983. We spent approximately $59,813 to update, duplicate and distribute these psa's to the networks and commercial television stations nationwide. The CIC staff also developed in-house radio live announcer copy psa's for approximately $2,050 and print advertisements for approximately $9,701 for distribution to all local radio stations and newspapers and popular magazines.

Question: What are your plans for public service advertising programs for FY 84 and FY 85?

Answer: We plan in-house development of print and radio public service advertisements for nationwide distribution in FY 1984. We are currently evaluating the success of the 1983 re-released television campaign to determine whether a re-release of tv psa's is advisable in 1984. If we do not re-release another CIC ad, we will contract for the creative development of new television psa's in FY 1984 and duplicate and release these new spots during FY 1985. We estimate that production of new TV spots would cost $85,000. Radio and print ads developed in-house would cost approximately $15,000.

If we develop new television ads in FY 1984, we will duplicate and disseminate these psa's in FY 1985. We also plan in-house development and national distribution of print and radio public service ads once again in FY 1985.

Question: Would you please prepare a chart comparing your actual and anticipated expenditures in FY 83, FY 84 and FY 85 for development of campaigns identifying funds for travel and other distribution activities?

Answer: The following chart compares actual and anticipated expenses for FY 83, FY 84, and FY 85:

	FY 83	FY 84	FY 85
Travel	-0-	-0-	$ 8,000
Contracts and Misc. expenses	$71,564	$100,000	$70,000

TRAVEL

Question: In FY 83, $18,000 was appropriated for travel. Why did you only spend $7,847 for travel for FY 83?

Answer: Nearly all of the unspent travel funds from FY 83 represents the travel budget for the FY 83 public service campaign. That travel was cancelled because of agency-wide limitations on travel funds during the fourth quarter.

Question: What is the current status of the $18,000 appropriated for travel in FY 84?

Answer: To date, we have obligations for approximately $4,000 in FY 84 travel funds.

Question: What are your projections for the remainder of FY 84?

Answer: At this time, we project spending approximately $10,000 during FY 84. We plan to submit a reprogramming request for the unused portion.

USER FEES

Question: The $1.00 user fee on Catalog orders for more than one free publication was initiated at the end of FY 83. The establishment of the fee came after a ten month study conducted at the request of this Subcommittee. The final report of the study indicated that the $1.00 user fee was indeed a feasible and desirable method for partially recovering the Government's cost of this service.

Have you performed a subsequent study to evaluate the impact of the number of publications and customers of a doubling of the user fee?

Answer: No, we have not performed a subsequent study to evaluate the impact of a doubling of the user fee on the number of publications and customers.

Question: Would you please explain the basis for the proposed increase in the user fee?

Answer: In keeping with the goal of making CIC fully reimbursable, it was necessary to review all potential sources of income. It seemed reasonable for the users of the program to contribute a more equitable share.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

CIC PROMOTION EFFORTS

Question: You indicate in your statement that you intend to broaden CIC promotion efforts. How will this be done and at what cost?

Do you expect to recoup the cost through additional charges for publications?

Answer: We would use the CIC agency liaison staff and their wide knowledge of ongoing Federal programs to identify new information areas that would benefit from wider promotion. We would select the most appropriate projects and then develop marketing plans for agency approval. All of the work would be done on a reimbursable basis. There would be no additional charges for consumer publications since the projects would be fully funded by the customer office.

Question: What has been your experience to date with industry cooperation? Has industry made any financial contribution to your efforts?

Answer: The CIC has coordinated several joint government/industry information projects:

1. AT&T and the U.S. Office of Consumer Affairs (USOCA) worked together under the direction of the CIC to recently update Direct Contacts for Consumers, a free directory of Federal toll-free and 800 numbers.

2. The U.S. Postal Service, USOCA, and the American Express Company collaborated on a free mail order rights publication which is marketed and distributed through the CIC.

3. The USOCA, the Federal Communications Commission, and the Electronic Industries Association cooperatively developed the booklet How to Buy a Telephone which is being distributed from our Pueblo facility.

4. Our media department has also prepared news releases on topics of current consumer interest with information provided by industry and endorsed by the appropriate Federal agency. Our release on owning your own telephone included information from the American Telephone and Telegraph Company, MCI, and the Federal Communications Commission, and the one on tamper-proof packaging used information from FDA and the Proprietary Medicine Association.

5. The CIC staff assisted the American Council of Life Insurance and the Extension Service of USDA in development of A Consumer's Guide to Life Insurance. We provided editorial review of the booklet which is listed in our spring 1984 Catalog.

Industries contribute to these cooperative efforts by printing copies of publications for distribution and or by reimbursing CIC for postage and handling charged by the Government Printing Office.

USER FEE

Question: Do you see any evidence of a reduced demand for publications as a result of the imposition of the user fee?

Answer: We have observed a definite impact in both orders received and publications requested as a result of the user fee. There has been a 31.2% drop in Catalogs which equates to a 40.8% drop in publications distributed.

Question: Do you anticipate any reduction in demand as a result of raising the fee?

Answer: With the establishment of the $1.00 user fee, the CIC observed a decline of 31.2% in Catalog orders received at our Pueblo distribution facility. We believe that changing the user fee to $2.00 would only result in an additional drop of 10%. This is based upon the results of the user fee study conducted in 1982 which showed that the amount of the fee was not a significant factor in a customer's decision to order. We do not think that $2.00 exceeds what our existing core of customers is willing to pay for CIC services.

Question: You estimate increased revenues of $200,000 (from $300,000 to $500,000) in FY 85 from user fees. How much of this do you expect from increased fees and how much from additional demand?

Answer: The entire amount would come from the increased fee.

ESTIMATES OF APPROPRIATIONS FOR FISCAL YEAR 1985

CONSUMER INFORMATION CENTER FUND
(Dollars in Thousands)

	Actual 1983	Estimate 1984	Estimate 1985	Change 84 vs 85
ource of Funding:				
Unobligated Balance Brought Forward	-	617	817	+ 200
Appropriations	1,416	1,349	349	-1,000
Reimbursements from Agencies	2,784	3,750	5,000	+1,250
User Fees	104	300	500	+ 200
Total Resources Available	4,304	6,016	6,666	+ 650
plication of Resources:				
Consumer Information Center Operations Program:				
Administrative Expenses				
-Salaries and Benefits	626	681	694	+ 13
-Printing of the Catalog	370	381	403	+ 22
-Advertising Campaign	59	55	55	-
-All Other	341	332	297	- 35
Total Administrative Expenses	1,396	1,449	1,449	0
Publications Distribution Program:				
Distribution Costs	2,291	3,750	4,600	+ 850
Total Resources Applied	3,687	5,199	6,049	+ 850
Unobligated Balance Carried Forward	617	817	617	- 200

ckground:

e Consumer Information Center Fund, a revolving fund, was established by Public
v 98-63 enacted on July 30, 1983 to provide for a more businesslike operation of
e Consumer Information Center's activities. Previously, these activities were
ided from a direct appropriation with the cost of distributing agency
plications funded via reimbursements from the participating agencies. The new
nd assumed all of the liabilities, obligations and commitments of the Consumer
formation Center account at the time of enactment. All activities of the
nsumer Information Center, beginning with fiscal year 1983 and thereafter, will
reflected in the new account entitled "Consumer Information Center Fund."
ler the revolving fund, the Consumer Information Center's activities are
anced from monies deposited to the fund consisting of annual appropriations
m the general funds of the Treasury, reimbursements from agencies, user fees
lected from the public and other income incident to Consumer Information Center
ivities.

lget Program: The estimate provides for continued support of agencies efforts
release and distribute consumer information to the public. Revenue generated
all of the reimbursable activities of this fund is projected to increase from
9 million in 1983 to $4.1 million in 1984 to $5.5 million in 1985. These
enues include reimbursements from agencies and user fees collected from the
lic.

Consumer Information Center Operations Program. The Consumer Information
ter helps Federal departments and agencies release consumer information
lected as a by-product of the Government's program activities. The Consumer
ormation Center maintains close working relationships with more than 30 Federal

agencies in order to identify, develop, promote and make accessible to the public Federal consumer information. In addition, the Consumer Information Center promotes public awareness of this information through publication of the quarterly Consumer Information Catalog, and through various media services. In 1985, the Consumer Information Center will implement a new marketing program designed to promote and expand public awareness of other types of information, in addition to consumer information, that is available from the Federal government. This effort will be done on a reimbursable basis and will be targeted to specific segments of the public.

2. Publications Distribution Program. The Consumer Information Center coordinates and monitors the activities of the Government Printing Office distribution facility in Pueblo, Colorado (the centralized distribution point for Federal consumer publications). As part of this program, the Consumer Information Center bills agencies and in turn reimburses the Government Printing Office for the costs of distributing free publications to the public.

3. Operating Results and Financial Condition. At the end of 1983 the net investment in the Consumer Information Center Fund is $832 thousand which is composed of $617 thousand unobligated balance retained in the fund, $256 thousand in undelivered orders offset by $41 thousand for unfunded leave liability. At the end of each fiscal year any unobligated balances remain in the fund and are not available for expenditure except as authorized in appropriation acts.

CONSUMER INFORMATION CENTER FUND

JUSTIFICATION FOR APPROPRIATED FUNDS

Summary Reconciliation of 1985 Estimate to Comparable Amounts for 1984

1983	Appropriation	$1,351,000
	Increase	
	Functional Transfer for Computer Usage	+65,000
1983	Adjusted Total	$1,416,000
	Increases	
	Full Year Funding for Medicare Contributions	+2,000
	Full Year Funding for October 1982 Pay Increase	+31,000
	Decrease	
	Administrative Expenses Covered by User Fees	-100,000
1984	Total	$1,349,000
	Increases	
	Full Year Funds for October 1983 Pay Increase	+26,000
	Payments to Federal Buildings Fund	+37,000

	Decreases	
	. Absorption of October 1983 Pay Increase...........	-13,000
	Funding the Program through Revenues from	
	User Fees and Other Sources........................	-1,000,000
	Miscellaneous Expenses............................	-50,000
1985	Total..	$ 349,000

1984	Appropriation	$1,349,000
	Change	-1,000,000
1985	Estimate	$ 349,000

GENERAL STATEMENT

The Consumer Information Center (CIC) was established within the General Services Administration (GSA) by Executive Order 11566 on October 26, 1970 to help Federal departments and agencies promote and distribute consumer information collected as a by-product of the Government's program activities. The CIC promotes public awareness of Federal consumer information through publication of the quarterly Consumer Information Catalog and through various media programs. The CIC coordinates distribution of Federal consumer publications from a central distribution facility in Pueblo, Colorado.

Public Law 98-63 established a revolving fund for the CIC. Under this fund, CIC activities are financed from the following: Annual appropriations from the general funds of the Treasury, reimbursements from agencies for distribution of publications, user fees collected from the public, and any other income incident to CIC activities. All are available as authorized in appropriation acts without regard to fiscal year limitations.

APPROPRIATION LANGUAGE

For necessary expenses of the Consumer Information Center, including services authorized by 5 U.S.C. 3109, ($1,349,000,) $349,000, to be deposited into the Consumer Information Center Fund: Provided, That the appropriations, revenues and collections deposited into the fund shall be available for necessary expenses (,other than administrative expenses,) of Consumer Information Center activities in the aggregate amount of ($6,500,000.) $6,049,000. Administrative expenses of the Consumer Information Center in fiscal year (1984) 1985 shall not exceed $1,449,000. (Revenues) Appropriations, revenues and collections accruing to this fund during fiscal year (1984) 1985 in excess of ($7,949,000) $6,049,000 shall remain in the fund and shall not be available for expenditure except as authorized in appropriation acts.

JUSTIFICATION

The CIC was established: (1) to help Federal departments and agencies release consumer information they wish to bring to the public's attention and (2) to assure public awareness of and access to this information.

The CIC's primary function is to provide a centralized and efficient means for Federal agencies to get their message to the public. Through its agency liaison program, CIC identifies Federal information dissemination needs and informs agencies of its services. By working closely with program and information staff members in more than thirty Federal agencies, the CIC liaison representatives identify cooperative publishing opportunities to maximize agency resources, provide editorial review on new or revised publications, coordinate promotional strategies for priority agency programs, and provide evaluation assistance.

The agency liaison program is the basis for all CIC activities. Every program area revolves around this important function and depends upon its success.

The quarterly Consumer Information Catalog is the primary tool for increasing public awareness of Federal consumer information. It is a 16-page descriptive listing of more than 200 free and moderately priced Federal publications of consumer interest.

During FY 1984, approximately 18 million Catalogs will be distributed through a variety of channels and in response to individual requests generated through the media. The distribution channels for the Catalog include Members of Congress; elementary through graduate school educators; libraries; local and national consumer organizations; non-profit organizations with active consumer programs such as credit unions, community groups, professional associations, service organizations and labor unions; and Federal facilities with heavy visitor traffic.

In cooperation with GPO and several Federal agencies, the CIC is testing a new system that will make selected publications available to the public at a lower cost. Under this system, agencies pay the printing costs enabling GPO to lower the sales price of a publication. These publications, sold at 50¢, are available only through the CIC and early samples show the public responding favorably. A full review of this project will be conducted in the spring of 1984 to determine if it merits continuation.

During FY 1983, consumers requested 8.5 million free and sales publications. The distribution of GPO sales documents through the CIC generated Government revenue of more than $1.1 million.

GPO is reimbursed by the CIC for the cost of distributing free publications. In turn, Federal agencies participating in the distribution of free publications through the CIC program are billed by the CIC for the costs of distributing their publications. (The printing and distribution costs for the sales publications are covered by GPO which sets the prices and retains the income.) The agencies are informed in advance of their estimated costs for future fiscal years to allow them time to include the amounts in their budget requests. The charges for which agencies are billed include warehousing, inventory management, order processing, postage, and the costs of distributing quantities of the Catalog. The CIC works closely with GPO to obtain the lowest cost distribution services possible.

With the spring 1983 edition of the Catalog, the CIC began charging a $1.00 user fee on Catalog orders for two or more free publications. This cost recovery effort was implemented as a result of a ten-month study conducted by the CIC at the request of the Senate HUD-Independent Agencies Appropriations Subcommittee. The final report of the study, released by the CIC in June 1982, found a user fee to be a feasible and desirable method for partially recovering the Federal Government's cost in providing this service.

During the last half of FY 1983, the user fee generated revenues of $103,649 which were deposited in the CIC fund. Current projections for FY 1984 estimate receipt of $300,000 in user fee revenues.

The legislation that established the Consumer Information Center Fund authorized the use of user fees in funding special projects in support of the CIC mission. For example, in FY 1984, user fee revenues are being utilized to cover the distribution costs incurred in processing orders for U.S. Department of Agriculture publications distributed through a promotion in Family Circle magazine. Additionally, the CIC plans to use receipts from user fees to fund the distribution of flyers advertising the availability of the Catalog in supplemental tax information packages sent out by the Internal Revenue Service.

The CIC media program brings information to consumers through a variety of means: radio, television, newspapers, and magazines. Topics covered are as diverse as car repairs, small business management, health care, employment choices, and interest rates. The print information service, "New for Consumers," and the broadcast script service, "Federal Consumer Focus," reach the American public with news about consumer warnings, money saving ideas, Federal research, and other Federal programs that affect the public.

As a public service, the media donates air time and print space for this information at no cost to the Government. With minimal production costs, this multiplier effect enables the CIC to reach millions of consumers with valuable information in a cost-effective manner.

To reduce costs, in FY 1984 the CIC plans to develop print and radio public service advertisements in-house for distribution to newspapers, and major consumer magazines and local radio stations nationwide. The CIC is also evaluating the success of the 1983 re-released television campaign to determine whether a similar effort in FY 1984 is advisable. Through these efforts, the CIC will be able to continue promotion of Federal consumer information at minimal cost.

The CIC uses several methods to evaluate the validity and effectiveness of its programs. Development of this type of information is important in efforts to help agencies more accurately and cost-effectively target their information to the desired audience.

The CIC staff is in frequent contact with business and consumer leaders across the country to identify consumer problem areas where additional information is needed. Numerous independent organizations, as well as state, county, and city consumer offices, track new developments in consumer issues and provide CIC with a better understanding of these areas. CIC also uses these groups as multipliers to spread knowledge of Federal programs and information to their constituents and to coordinate cooperative projects. During FY 1983, CIC staff members participated in national consumer conferences designed to bring together consumer affairs professionals from government, private industry, education, and consumer organizations. The sponsoring organizations include: the American Council on Consumer Interests, the National Association of Consumer Agency Administrators, the Society of Consumer Affairs Professionals in Business, the Conference of Consumer Organizations, the Consumer Federation of America, the Center for Consumer Services at Oklahoma State University, and the National Council of Better Business Bureaus.

The requested amount of $349,000 in appropriated funds for FY 1985 is a decrease from FY 1984 of $1,000,000. (See the attached Exhibit A for the projected funding in FY 1985.) This reflects GSA's commitment to operate the CIC on a self-sustaining basis supported by user fees collected from the public and by revenue from other sources. The requested amount in appropriated funds will be used to fund the salaries and benefits of 10 FTE assigned to the traditional work of CIC. Income from user fees and other sources will be used to fund the salaries and benefits of the remaining 10 FTE as well as all other program expenditures. This is in conformance with GSA's objective to devote 50 percent of CIC staff time to new programs.

Public Law 98-63 authorizes the CIC to use other sources of revenue to support its activities. A number of efforts are being proposed in this area:

1. An increase in the user fee from $1.00 to $2.00 for two or more publications ordered from the Catalog. The revised fee more accurately reflects the cost of providing this service and results in the actual users funding a larger share of the program's costs.

2. A broadening of CIC marketing efforts to include a wider range of Federal information products as well as a wider variety of audiences. These efforts would benefit CIC's established audiences as well as new audiences such as the business and academic community and other Government agencies by increasing their awareness of and access to Federal information. For example, promotion of available Federal grants would benefit potential grantees; small business awareness and use of Federal procurement data would ease their burden of marketing to the Government and has the potential of increasing competition and thereby reducing costs; and awareness of services provided by the Federal Telecommunications System will improve user agencies cost-effective utilization of the system. These initiatives will enable CIC to assist Government agencies in effectively promoting available programs, and will generate revenue to assist in funding the CIC operations.

3. A CIC marketing fee added to the unit cost charged to agencies for distributing their free publications. The fee would help offset CIC costs in staff time and resources required in activities which include Catalog publication, media promotion, and program evaluation.

4. The active encouragement of industry to work with Federal agencies in the cooperative development, promotion and dissemination of useful consumer information. Cooperative publishing may involve reimbursement to the CIC fund by private sector organizations for CIC services.

In summary, FY 1985 program activities will concentrate on widening the scope of the CIC program and moving it toward operating on a fully reimbursable basis. This will involve identifying and reaching new markets at the same time that the CIC continues to utilize existing mechanisms to provide information to the public. Therefore, within the context of a broadened information marketing program, the CIC will maintain its extensive contacts with Federal agencies on their information priorities, continue preparation and distribution of the Catalog, and monitor and coordinate the ongoing CIC activities at the GPO distribution facility in Pueblo, Colorado. The program's focus will continue to be on the effective delivery of services to all of its users.

EXHIBIT A

PROJECTED FUNDING FOR CIC IN FY 1985

The Consumer Information Center projects income as follows for FY 1985:

1. Direct Appropriation	$ 349,000
2. FY 1984 User Fee Rollover ($1.00 User Fee generates $300,000 with only $100,000 used for FY 1984 administrative expenses)	200,000
3. $2.00 User Fee in FY 1985	500,000
4. CIC Marketing Fee (7 million free publications x 5¢ each)	350,000
5. Marketing of New Programs	50,000
TOTAL needed for FY 1985	$1,449,000

Exhibit B

CONSUMER INFORMATION CENTER

POSITIONS BY GRADE AND AVERAGE EMPLOYMENT

	Actual, 1983			Program, 1984			Request, 1985		
Grade	C.O.	Field	Total	C.O.	Field	Total	C.O.	Field	Total
GS/GM -15	1	-	1	1	-	1	1	-	1
14	2	-	2	2	-	2	2	-	2
13	2	-	2	4	-	4	4	-	4
12	4	-	4	2	-	2	2	-	2
11	4	-	4	4	-	4	7	-	7
9	-	-	-	3	-	3	-	-	-
7	4	-	4	1	-	1	1	-	1
6	1	-	1	2	-	2	2	-	2
5	1	-	1	-	-	-	-	-	-
Permanent Positions	19	-	19	19	-	19	19	-	19
Avg. Empl:									
Permanent	18.5	-	18.5	19	-	19	19	-	19
Other	1	-	1	1	-	1	1	-	1
TOTAL	19.5	-	19.5	20	-	20	20	-	20

CLASSIFICATION BY OBJECTS

	Actual, 1983	Program, 1984	Request, 1985
Personnel compensation: Central office	$ 569,204	$ 617,000	$ 629,000
Field	-	-	-
11 Total personnel compensation	$ 569,204	$ 617,000	$ 629,000
Other Objects			
12 Personnel benefits	57,390	64,000	65,000
13 Benefits for former personnel	-	-	-
21 Travel	7,847	18,000	18,000
Travel (motor pool)	-	1,000	1,000
22 Transportation of things	36,308	42,000	42,000
23 Rents and utility services	4,220	6,000	6,000
Payment to Federal Buildings Fund	37,726	43,000	80,000
Communication services	44,443	60,000	60,000
24 Printing and reproduction	443,912	439,000	439,000
25 Other services	2,481,339	3,905,000	4,705,000
26 Supplies and materials	5,107	4,000	4,000
31 Equipment	-	-	-
32 Lands and structures	-	-	-
Total Other Objects	$ 3,118,292	$ 4,582,000	$5,420,000
Total Obligations	$ 3,687,496	$ 5,199,000	$6,049,000
Position Data			
Average salary, GS positions	$ 29,958	$ 30,856	$ 31,781
Average grade, GS positions	10.53	11.00	11.32

Exhibit C

EXPLANATION OF DISTRIBUTION BY OBJECTS

11 Personnel Compensation and Staffing - $629,000. For 19 full-time permanent and one part-time positions, all in the Central Office.

12 Personnel Benefits - $65,000. Includes $42,000 for retirement contributions; $13,000 for health benefits; $8,000 for Medicare contributions and $2,000 for group insurance.

21 Travel and Transportation of Persons - $19,000. For travel by CIC staff members.

22 Transportation of Things - $42,000. For transporting Catalogs from the printing company to Washington, DC and the Colorado distribution center.

23 Rent, Communications, and Utilities - $146,000. $40,000 for postage; $80,000 for the Federal Buildings Fund; and $26,000 for telephone and equipment user charges.

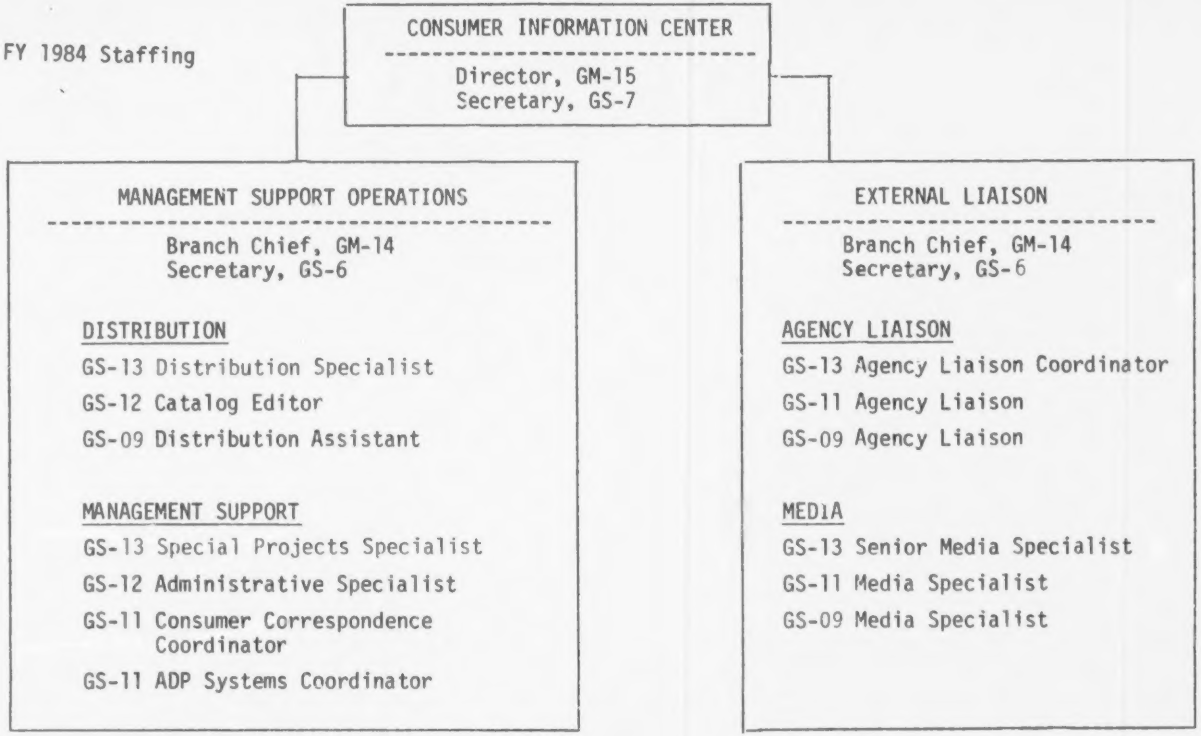
24 Printing and Reproduction - $439,000. $403,000 for printing English Catalogs and Spanish listings; $26,000 for printing script material for radio and television stations; and $10,000 for miscellaneous printing.

25 Other Services - $4,705,000. $4,600,000 in payments from agencies to reimburse GPO for the costs of distributing free publications from Pueblo, Colorado; $55,000 for preparation and distribution of public service materials; $45,000 for computer support; and $5,000 for miscellaneous expenses.

26 Supplies and Materials - $4,000. For normal administrative supplies and materials.

Exhibit D

FY 1984 Staffing



CONSUMER INFORMATION CENTER

Director, GM-15
Secretary, GS-7

MANAGEMENT SUPPORT OPERATIONS

Branch Chief, GM-14
Secretary, GS-6

DISTRIBUTION

GS-13 Distribution Specialist
GS-12 Catalog Editor
GS-09 Distribution Assistant

MANAGEMENT SUPPORT

GS-13 Special Projects Specialist
GS-12 Administrative Specialist
GS-11 Consumer Correspondence Coordinator
GS-11 ADP Systems Coordinator

EXTERNAL LIAISON

Branch Chief, GM-14
Secretary, GS-6

AGENCY LIAISON

GS-13 Agency Liaison Coordinator
GS-11 Agency Liaison
GS-09 Agency Liaison

MEDIA

GS-13 Senior Media Specialist
GS-11 Media Specialist
GS-09 Media Specialist

All staff members GS 9-13 have Agency Liaison responsibilities.

EXHIBIT E

SELECTED CIC ACCOMPLISHMENTS

MEASURES	FY 1983 ACTUAL	FY 1984 ESTIMATE	FY 1985 ESTIMATE	% CHANGE 84 vs. 85
1. Publications Identified for the Catalog	50	40	40	-
2. Catalogs Distributed (Millions)	18.9	18.0	18.0	-
3. Total Publications Distributed (Millions)	8.5	8.5	7.5	-11.8
4. Print Media Releases Highlighting Federal Consumer Information	50	52	52	-
5. Sets of Electronic Media Scripts	11	10	10	-
6. Public Service Advertising Programs for the Media	3	3	3	-
7. Media Hot Line Calls	500	550	625	+13.6
8. Consumer Inquiries	11,000	10,000	7,000	-30.0
9. Publications Evaluation Surveys	3	3	2	-33.3
10. Special Marketing Projects to Promote Federal Information	-	-	3	-

SUBCOMMITTEE RECESS

Senator GARN. The subcommittee will stand in recess until 10 a.m. on March 1 when we will receive testimony from the National Science Foundation. The committee is recessed.

[Whereupon, at 11:13 a.m. Thursday, February 23, the subcommittee was recessed to reconvene at 10 a.m. Thursday, March 1]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 8, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10:05 a.m. in room SD–124, Dirksen Senate Office Building, Hon. James Abdnor presiding.

Present: Senator Abdnor.

SELECTIVE SERVICE SYSTEM

STATEMENT OF THOMAS K. TURNAGE, DIRECTOR

ACCOMPANIED BY ARNOLD B. BRODSKY, CONTROLLER

OPENING REMARKS

Senator ABDNOR. The Subcommittee on HUD-Independent Agencies will come to order.

Director Turnage, we are happy to have you here today. Since we do have three agencies appearing before us, I am going to ask each of our witnesses to limit their opening statements to 5 minutes, if possible. Of course, your full statement will be made a part of the record, I can assure you of that.

The Selective Service System is responsible for the registration of men at the age of 18 years. It conducts a nonregistrant identification program, maintains a data base of registrant records, and conducts training to insure a rapid mobilization capability.

In fiscal year 1985, the Selective Service System is requesting $28,130,000 and 276 positions. This is an increase of $3,630,000 above the fiscal year 1984 appropriation. There are now 11.6 million registrants in the system.

We are happy to welcome you, Director. If you care to introduce your associates, proceed from there.

Mr. TURNAGE. Thank you, Mr. Chairman.

This is Mr. Arnold Brodsky of our office.

Mr. BRODSKY. Good morning, Mr. Chairman.

Senator ABDNOR. It is nice to have you with us this morning.

DIRECTOR'S ORAL STATEMENT

Mr. TURNAGE. It is a privilege to again come before this distinguished committee. As you indicated, sir, our request for fiscal 1985 totals $28.1 million. Only $500,000 of that amount represents an actual program increase. It will enable us to keep the programs which are essential to the revitalization of Selective Service on track. The remaining $3.1 million increase is called for by Public Law 98–94 to fund the military retirement accrual and Executive Order 12456 to cover the general pay raise that became effective last month.

Mr. Chairman, Selective Service has achieved a readiness posture that would permit us to meet the Department of Defense stated requirements for delivering the first inductees within 13 days of a mobilization, and as many as 100,000 men within 30 days of mobilization.

REGISTRATION STATISTICS

I am delighted to report that registration compliance for the draft-eligible population—that is, those who were born in 1960 through 1964—is 98.9 percent. Adding the most recent year-of-birth groups, 1965 and 1966, the overall compliance rate is 96.5 percent. That represents an increase from the 95.4 percent compliance rate which I reported to this committee last year. There are nearly 12 million registrants in our data base. We are on a moving train, Mr. Chairman, and it increases daily. This is up from the 9.5 million we reported to you last year.

STUDY ON CONSCIENTIOUS OBJECTOR REGISTRATION

Since my last opportunity to appear before you, and as directed by the Committee on Appropriations of the House of Representatives, Selective Service initiated and completed a study on the feasibility of allowing young men, while registering, to signify their intent to make claim of conscientious objection in case of induction. Copies of the study were delivered to the committee in October 1983.

REGISTRATION IMPROVEMENT PROGRAM

Over 5,000 young men turn 18 years old each day. No matter what our present record of compliance is for past and current year-of-birth groups, there are 5,000 new registrations to accomplish today, and another 5,000 again tomorrow, and so on.

To meet this challenge, the agency has implemented far-reaching and innovative initiatives we call our registration improvement program. Activities under this program are at the local level, nationwide. Projects, among other things, have included flyers enclosed with customer mailings by public and private organizations, and over 28,000 local media contacts.

PUBLIC AWARENESS PROGRAM

Additionally, we have implemented on effective public awareness program. For example, public service announcements are sent to 7,500 radio stations twice a year. Over 250 television stations receive TV public service announcements for their use. Posters, brochures, and stuffers have been developed for a semiannual mailing of information packets to 24,000 high schools, 3,500 colleges, and other organizations. These are somewhat comprehensive packets, and I think that they offer useful information for the young man who has to make the decision about his registration requirement.

COMPLIANCE PROGRAM

We believe that most of the small percentage of men who fail to register do so because they are unaware of the requirement or they simply procrastinate. Very few, as a matter of fact, an infinitesimally small number, knowingly resist or refuse to register.

Therefore, we have developed computer file-match programs to specifically identify nonregistrants and get the word to them regarding their obligation. Fifty States and territories have provided drivers' license files to us for that matching process. The match identifies and deletes the names of men who have already registered. The names of suspected nonregistrants are sent a compliance letter. A total of 553,000 registrations have been received as a direct result of this compliance program.

AUTOMATED DATA PROCESSING

Our responsibility for mobilization readiness demands that we be prepared to process our registrant file through the lottery, induction, and appeal process, all the while communicating accurately with the individuals themselves, the Department of Defense, 6 region headquarters, 55 State headquarters, 436 area offices, and some 2,200 local boards.

To eliminate a potential problem of outdated registrant addresses, address verification letters are mailed to registrants who are 19 and 20 years old on whose file there is no indication of correspondence during the previous 11 months. This automated program has generated 235,000 registrant responses indicating an address change. Additionally, we have received some 130,000 forwarding addresses from the Post Office.

REGISTRANT INFORMATION AND MANAGEMENT SYSTEM

In the past year we published our registrant information and management system (RIMS) manual. RIMS is a sophisticated system which would integrate the processing of registration, induction, and claims information in an actual induction. RIMS will schedule registrants to military entrance processing stations (MEPS) and prepare tapes for Western Union to send mailgrams ordering individuals for induction. Under RIMS, the data base will be updated daily regarding examinations, induction dispositions, and claims for postponement, deferment, or exemption filed with the local boards.

ALTERNATIVE SERVICE PROGRAM

The revitalization of Selective Service has included development of an alternative service program for conscientious objectors. Approximately 500 volunteer citizens are being appointed and trained as members of civilian review boards to adjudicate alternative service worker appeals concerning job assignments in the event of mobilization.

RESERVE FORCE OFFICERS

The mobilization readiness of the Selective Service System rests with a cadre of 728 Reserve Force officers who are trained in the operation of the system. Their mobilization assignments would include: Establishing 436 area offices, establishing 55 State headquarters, expanding the region headquarters and our own national headquarters, establishing 68 MEPS liaison offices, as well as processing registrants for induction or alternative service in accordance with RIMS procedures.

Sir, this concludes my statement. We at Selective Service sincerely wish to thank you, and members of the committee, for support of our mission.

[The statement follows:]

STATEMENT OF THOMAS K. TURNAGE

Mr. Chairman, it's a privilege to again come before your distinguished committee to discuss the Selective Service System's budget request for Fiscal Year 1985. This hearing affords me the opportunity to respond to the interest committee members have regarding the mission of Selective Service and the programs we administer in fulfilling that mission.

Our FY85 budget request totals $28.1 million. Only $0.5 million of that amount represents an actual program increase over the Selective Service budget of $24.5 million in FY84. The other $3.1 million is required by P.L. 98-94 to fund the Military Retirement Accrual, and Executive Order 12456 to fund the general pay raise. I will discuss the program increase of $0.5 million in the body of my statement.

Mr. Chairman, I come before the committee with confidence. This, because I am able to report to you that there is demonstrable public support for peacetime registration, and we are having remarkable success in conducting that program. This public support has resulted in ever-higher compliance rates. I am also able to report to you on the progress that Selective Service has made during the past year toward achieving a readiness to fill manpower needs established by the Department of Defense should the Congress call for mobilization. There are still some aspects of revitalization yet to accomplish. Given budget contraints, some things can only be accomplished over time. But the present status of revitalization for Selective Service enables me to report that we are on track.

Mr. Chairman, Selective Service has achieved a readiness posture that would permit us to meet the Department of Defense stated requirements for delivering the first inductees within 13 days of a mobilization, and as many as 100,000 men within 30 days of mobilization.

Further, if Congress ordered a return to the draft, we have the capability to conduct an equitable draft. By equitable, we mean that each man who registers, and is eligible for induction in an emergency, can be assured that virtually every other eligible man will be with him in the lottery pool from which inductees would be randomly selected. With such a complete list of names, made possible through peacetime registration, the odds of an individual being inducted during mobilization are reduced to the lowest possible level. Only peacetime registration allows us the time to mount the kind of organized and accurate accumulation of registrant names that would assure each inductee that his name was drawn equitably.

REGISTRATION

It is the sum of these facts which gives me confidence in reporting to you. I am impressed with the response of the American people to peacetime registration, and am delighted to report to you that registration compliance for the draft-eligible population (1960 through 1964 year-of-birth groups) is 98.9 percent. Adding the most recent year-of-birth groups (1965 and 1966), the overall compliance rate is 96.5 percent. This is up from the 95.4 percent which I reported to the committee last year. There are currently 11.6 million registrants in our data base. This is up from the 9.5 million I reported last year. Over 2 million registrations were received this past year. The greatest majority of noncompliants are in the most recent year-of-birth groups, 1965 and 1966. Almost all of these men will ultimately register, albeit tardily. As I have reported in past years, history shows that, while some individuals in the most recent year-of-birth groups may not register on time, almost 100 percent do register when they understand their responsibility through our Public Awareness Program, or when they get a letter from Selective Service through our Compliance Program.

Since my last opportunity to appear before you, and as directed by the Committee on Appropriations of the House of Representatives, Selective Service initiated and completed a study on the feasibility of allowing young men, while registering, to signify their intent to make claim of conscientious objection in case of induction. Copies of the study were delivered to the committee on October 19, 1983.

REGISTRATION IMPROVEMENT PROGRAM

Over 5,000 young men turn 18 years old each day. This amounts to approximately 150,000 potential new registrants per month, and approximately 2,000,000 per year. Thus, no matter what our present record of compliance is for past and current year-of-birth groups, there are 5,000 new registrations to accomplish today, and another 5,000 again tomorrow, and again the next day, and each and every new day. In order to ensure equity for every registrant in case of mobilization, and to ensure our ability to meet the Department of Defense requirement calling for the first inductees at M+13 days, we rely daily upon an effective Registration Improvement Program.

Thus, during FY83 the agency developed and implemented far reaching and innovative initiatives for our Registration Improvement Program. Under this program, activities at the local level are planned and carried out throughout the nation by the National Headquarters staff, six Region Directors, 55 State Directors, over 700 Reserve Force Officers, and thousands of Local and Appeal Board members. Activities focus primarily on public awareness. Projects have included a registration booth at the Oklahoma State Fair; distribution of registration reminders by the State of Texas to young men applying for a renewal of their driver's licenses; approximately 1.3 million flyers enclosed with customer mailings by public and private organizations; Proclamations and Resolutions designating a specific Registration Awareness Month (or Week) issued by Governors, State Legislatures, Mayors, and civic organizations; and finally, over 28,000 local media contacts.

Notwithstanding these efforts, Mr. Chairman, the Northeast and West Coast regions of the United States remain below the national average for registration compliance. These two regions account for over one-half of nonregistrants. Within these two populated sections of the country, we have identified 13 major metropolitan centers where noncompliance seems to be concentrated. Therefore, to specifically address noncompliance within these densely populated areas, an increased appropriation of $104,000 for the Registration Improvement Program is requested. This money will fund two additional man years for Reserve Force Officers to concentrate their time on registration improvement projects within those 13 metropolitan centers specifically.

COMPLIANCE PROGRAM

We believe that most of the small percentage of men who fail to register do so because they are unaware of the requirement — or they simply procrastinate. Our experience tells us that, in fact, very few knowingly resist and refuse to register. The principle of equity, as previously explained, demands that Selective Service make every prudent effort to identify nonregistrants, and get word to them regarding their obligation.

During FY82, Selective Service reached an agreement with the Internal Revenue Service (IRS) and the Social Security Administration to develop a computer file-match program in order to specifically identify nonregistrants. Since that time, Selective Service has intensified efforts to find additional sources of names and current addresses. A nationwide effort to acquire driver's license records has been made. Thus far, 50 States and Territories have submitted the information we are seeking. The lists of potential registrants are matched with our registrant file. This match identifies and deletes the names of men who have already registered. The remaining names are matched against the Department of Defense and Coast Guard records to remove names of active duty military personnel who are not required to register. All other names become suspected nonregistrants and are sent a Compliance Letter. The Compliance Letter informs the individual of the registration requirement and provides a form on which he may register. A second Compliance Letter is sent to those individuals who do not respond, or who fail to demonstrate that they are exempt as they may claim. After waiting a prudent amount of time for their response or registration, if they persist in their refusal to register, their names are referred to the Department of Justice. As of February 26, 1984, a total of 552,856 registrations have been received as a direct result of this Compliance Program.

FY83 was a "catch-up" year for the Compliance Program. Computer file-matches were run on all year-of-birth groups. The high percentage of compliance for the year-of-birth groups 1960 through 1964 (98.9 percent) is evidence of the success of the Compliance Program. During FY84 and subsequent years, the Compliance Program will focus on the current year-of-birth group. No increase in funding is requested for this program.

PUBLIC AWARENESS PROGRAM

As committee members know, our primary goal is not to prosecute men, it is to register them. Thus, along with a focus of the Compliance Program upon the current year-of-birth group, Selective Service has implemented an effective Public Awareness Program designed to reach the new audience of 5,000 young men who turn 18 years old each day.

Selective Service does not purchase media time or space as part of our Public Awareness Program. We rely on donated time and space from the media. Public Service Announcements are sent to 7,500 radio stations twice a year, with special spots developed for Spanish broadcasting stations. Approximately 265 television stations in 49 target cities receive TV Public Service Announcements. Advertisements on buses, subways, and highway billboards are posted in urban areas. Posters, brochures, handouts, ad slicks, and stuffers have been developed for the semiannual mailing of information packets to 24,000 high schools, 3,500 colleges, and other organizations which have regular contact with 18 year-old men. Many of these materials have also been printed in the Spanish language. The Selective Service Reserve Forces Officers are a key element in the distribution of these materials. These officers also constitute the mainstay of our Speakers Bureau. This bureau provides speakers for schools, colleges, and various civic organizations throughout the nation. Additionally, Selective Service officials make media tours in target cities throughout the U.S., appearing on TV and radio public affairs and news shows in order to help citizens be aware of the registration requirement. On these media tours, we have attended newspaper editorial boards in a spectrum ranging from The New York Times, Chicago Tribune, and Los Angeles Times, to The New Orleans Times Picayune. We have given interviews to hundreds of commercial and college newspapers.

Mr. Chairman, again, we believe that most nonregistrants are unintentional violators. They are neither deliberate resisters nor unpatriotic citizens. In many cases, they are not aware, or are unsure, of the registration requirement. Because nonregistration is a felony, and further, because Congress has passed laws denying student aid and job training benefits to nonregistrants, we have a responsibility to get the message to them that registration is quick, it's easy, and it's the law. We want to preclude young men from losing the benefits of our society through ignorance of the law.

While there is no request for an increase in Public Awareness Program funds for FY85, we will continue to utilize our field personnel, including Region staff, State Directors, and Reserve Force Officers in order to maximize the productivity of every dollar we spend in order to inform the new audience of men who turn 18 years old each day. The dollars we spend on the Public Awareness Program go a long way, and have a high return. We believe it is better to expend funds on Public Awareness than have the nation bear the greater costs of social division and prosecution.

AUTOMATED DATA PROCESSING

Mr. Chairman, maintaining a registrant file of 11.6 million names, and having the responsibility of being prepared to process those names through a lottery, induction, and appeal process — all the while communicating accurately, effectively, and swiftly with the individuals themselves, the Department of Defense, six Region Headquarters, 55 State Headquarters, 436 Area Offices, and 2,200 Local Boards — makes automation a key factor to our mobilization readiness.

Our ADP facilities include the Data Management Center in Illinois, the Joint Computer Center, also in Illinois, and the Alexandria Computer Center in Virginia. The Data Management Center provides data entry, error correction, mailing, logistics, and computer operations attendant to building and maintaining the registrant file. The Joint Computer Center, established jointly by Selective Service and the Military Entrance Processing Command (MEPCOM) also serves to maintain the registrant file as well as provides computer support for the development of systems for inductions, claims, and appeals in case of mobilization. The Alexandria Computer Center houses the analysts and programmers responsible for developing these systems. The Alexandria Center also houses the computer which is used for administrative matters within the agency. A telecommunications system inter-connects each of these computer sites as well as connects each with the National Headquarters and the six Region Headquarters — and would inter-connect them with the individual State Headquarters and Area Offices if mobilization occurred.

Through our automation capability, nearly 2 million Acknowledgment Letters of registration will be mailed in FY85 to new registrants. An additional 1.5 million Acknowledgment Letters will be mailed in response to address and other data changes. Over 90 percent of new registrants will receive an Acknowledgment Letter within 35 days of their visit to any one of over 34,000 Post Offices to register.

The volume of changes necessary to accurately maintain the registrant file continues to grow. During FY85, another year-of-birth group, those men born in 1967, will be added to the data base. The registrant file will not reach its maximum size until 1986. At that time, the 1960 year-of-birth group will be dropped from the data base, while the 1968 year-of-birth group will be added.

As was discussed last year, a September 1982 GAO report stated that "...address information for between one-fifth and two-fifths of the registrants facing induction could be outdated, should a draft be reactivated. Since undeliverable or late induction notices increase the probability that those persons who keep their registration current would be drafted, the equity of the system is reduced." As you know, Mr. Chairman, in order to eliminate this problem, Selective Service established an Address Verification Program. Under the Verification Program, letters are mailed to registrants who are 19 and 20 years old on whose file there is no indication of correspondence during the previous 11 months. The U.S. Postal Service forwards the Verification Letter to the new address given them in the event the registrant has moved during that period. Under this program, registrants are asked to verify address information we have, o. send back to us any changes. Selective Service has mailed 3.5 million Verification Letters. The program has generated 235,000 responses indicating an address change. Additionally, we have received 130,000 forwarding notices from the Post Office to record address changes. Ninety-six percent of Verification Letters are delivered to the registrant under this program, demonstrating that ninety-six percent of registrants could be reached via a mailgram in case of mobilization. During FY85, we will mail 3 million Verification Letters in order to maintain this level of accurate address information.

Additionally, with the linkage of federal benefits to the registration requirement, there has been a significant increase in requests from individual registrants to confirm their registration. Student-aid related letters of inquiry have numbered 3,000 to 5,000 per week during peak periods of student aid applications. During normal periods, 1000 to 1500 inquiries are received each week. Also, over 1000 telephone inquiries are received each week as a result of the new laws linking federal benefits and the registration requirement.

As you may have concluded, Mr. Chairman, the maintenance and enhancement of our ADP capabilities are a high priority. These capabilities enable us to fulfill our mission to attain a high state of mobilization readiness. They enable us to maintain the integrity of our data base. And they enable us to efficiently serve the public. Given the growth of our registrant file in FY85, and the increased number of registrant inquiries we will receive, our budget request includes an increase of $160,000 for ADP-related services. The services represented by this budget request will be contracted to the private sector.

REGISTRANT INFORMATION AND MANAGEMENT SYSTEM (RIMS)

The Registrant Information and Management System, which we refer to as RIMS, is a highly sophisticated and automated processing system which has been developed to allow efficient, timely, impartial, and uniform implementation of the Selective Service law and regulations. RIMS integrates the processing of registration, induction, and claims information. Were the Congress to order a mobilization, a lottery can be conducted immediately, and induction orders issued as early as M+3. Under RIMS, the registrant data base will include lottery numbers. RIMS will schedule registrants for Military Entrance Processing Stations (MEPS) and prepare tapes for Western Union to send mailgrams ordering individuals to their scheduled pre-induction examinations and induction. If an individual registrant files a claim for postponement, deferment, or exemption, the data base will be updated daily with a status report. Furthermore, it will be updated daily with the results of the pre-induction examinations and induction dispositions.

A RIMS manual containing procedures and instructions to operate the system was published in June 1983. Six regional training conferences are being held in FY84 to instruct Selective Service personnel and the Reserve Forces Officers on the RIMS procedures. A continuous evaluation and testing program is conducted. Additionally, a prototype Area Office has been established within the National Headquarters to assist in the ongoing testing and evaluation of RIMS.

As members of the committee know, Local and Appeal Boards are the heart of the claims and appeals process. They ensure that the induction process is fair, equitable, and consistent throughout the Nation. There are over 10,000 Board members currently appointed, of which 9,771 are trained. The Board members are volunteers who donate their time. They are only compensated for travel costs to attend training sessions. More than 150,000 hours have been spent in training since the program began in 1981. The instructors for training sessions are Reserve Force Officers and staff from the six Region Headquarters. In FY85, Selective Service will hold multi-Board group training sessions. Approximately 400 such sessions at the Area Office level are planned. An increase of $53,000 is requested for travel expense reimbursement to the board members receiving training.

Additionally, Selective Service will participate in the Department of Defense mobilization exercise to be held during FY85. The purpose of the exercise is to test plans and procedures that: (1) select and call registrants for induction, (2) process claims for postponement, deferment, and exemption, (3) deliver registrants for induction by mailgram and travel warrant, (4) process and place Alternative Service Workers into appropriate civilian work, and (5) operate an ADP and personnel interface with the Department of Defense and MEPCOM. An increase of $62,000 is requested for induction mailgrams, contracted services for evaluation, and travel expenses for participants in the exercise.

ALTERNATIVE SERVICE PROGRAM

A great majority of registrants are willing to serve in the armed forces if actually inducted. However, for reasons of conscience, some registrants would file claims of conscientious objection, and could be granted exemption from military service. These Conscientious Objectors must be placed in civilian work which contributes to the maintenance of the national health, safety, or interest.

To ensure appropriate civilian service, the revitalization of Selective Service has included the development of the Alternative Service Program for Conscientious Objectors. This program will: (1) establish Civilian Review Boards to determine, upon request, if the job assignment for a Conscientious Objector is fair and appropriate, (2) identify associations of potential employers for the placement of Alternative Service Workers in case of mobilization, (3) develop a job-match system in order to assign Conscientious Objectors to suitable jobs, and (4) develop a system to monitor and manage the Conscientious Objector's performance through his two years of Alternative Service work.

Regulations governing the Alternative Service Program were published in the Federal Register in April 1983. A set of detailed operating procedures has also been developed and included in the RIMS manual.

During FY84, approximately 500 volunteer citizens are being selected and appointed as members of Civilian Review Boards in order to adjudicate Alternative Service Worker appeals concerning job assignments in case of mobilization. Group-training sessions for these board members are being held. Thus, with the major parts of the Alternative Service Program in place, activities in FY85 will include: (1) testing and evaluation of the automated Alternative Service Worker tracking system, and the RIMS procedures, (2) ongoing training of Civilian Review Board members, and

(3) further development of the employer network.

RESERVE FORCE OFFICERS PROGRAM

Mr. Chairman, were the Congress to meet a national emergency by calling for mobilization, a Selective Service State Headquarters office must be established in each State and Territory. Additionally, 436 Area Offices must be prepared by M+3 in order to receive and process registrant claims for postponement, deferment, and exemption - as well as support and administer the operation of 2,200 Local Boards. By M+30, 100,000 registrants would be inducted. The ability of the Selective Service System to accomplish these requirements rests with the cadre of 728 Reserve Force Officers who are trained in the operation of the System. These officers are the System's principal mobilization resource. They are primarily engaged in two types of activities: (1) training for their specific assignment in case of mobilization, and (2) serving as an adjunct to the civilian staff engaged in support of the agency's programs.

Reserve Force Officers have participated in the recruitment of Local Board and Appeal Board members. They have also conducted the training sessions for these board members. Half of their time has been devoted to projects within the Registration Improvement Program. During the next three years, their unit training assemblies will focus primarily on preparedness for specific mobilization assignments. The assignments have been divided as follows: (1) 446 Reserve Force Officers to establish 436 Area Offices, (2) 130 Reserve Force Officers to establish 55 State Headquarters, (3) 71 Reserve Force Officers to expand the six Region Headquarters and the National Headquarters to meet mobilization requirements, (4) 81 Reserve Force Officers to establish 68 MEPS liaison offices, and (5) processing registrants for induction or Alternative Service in accordance with RIMS procedures.

By statute, National Guard personnel must receive 15 days of annual training. Because of funding constraints, the Selective Service Sytem has been able to provide only 13 days of such training for our Reserve Force Officers who belong to the Guard. Heretofore, the National Guard Bureau has absorbed and used the remaining two days of training. However, the Bureau has informed Selective Service that it does not have the resources to continue this practice. Therefore, an additional $117,000 is requested in order to fund the two additional training days for National Guard members of our Reserve Force Officers cadre.

CONCLUSION

Mr. Chairman, this concludes my statement. We at Selective Service sincerely wish to thank you and members of the committee for support of our mission. I will welcome and respond to any questions that you or committee members may have.

CONSCIENTIOUS OBJECTION

Senator ABDNOR. Thank you, Mr. Turnage. You have given a very fine report and I am sure you are doing a fine job of administering the program. I know you have problems and you seem to be overcoming them one by one.

Do you find that everyone that says they are a conscientious objector is truly a conscientious objector?

Mr. TURNAGE. We find that there are some abuses of the system, sir. Let me say that, from a philosophical point of view regarding constitutional rights, it is easy for me to embrace the privileges and the protections that are accorded conscientious objectors within the statutes. Moreover, if Congress ordered a mobilization, it would be my responsibility not only to see that their individual claims of conscientious objection are adjudicated in an equitable way, but then to find each individual a job which would be in the national interest. I have no problem with that. One of the things that I do have a problem with, however, is individuals or organizations who, in my judgment, abuse the system.

Senator ABDNOR. Well, there are conscientious objectors and there are those who just don't want to register for other reasons.

Mr. TURNAGE. I agree.

GEOGRAPHIC AREAS WITH HIGHER NONCOMPLIANCE

Senator ABDNOR. In your statement you point out that there is a problem with registration noncompliance in 13 metropolitan centers in the Northeast and west coast regions.

Mr. TURNAGE. Yes, sir.

Senator ABDNOR. You are requesting an additional $104,000 to fund two additional man-years for Reserve Force officers to concentrate on registration improvement. That is correct, isn't it?

Mr. TURNAGE. Yes, sir.

Senator ABDNOR. Will you be performing any activities that are different from those conducted to date with these extra man-hours of effort?

Mr. TURNAGE. Nothing different, Mr. Chairman, but we will be intensifying the efforts that are already in progress within those specific urban areas which we consider to have problems of higher noncompliance in the registration process. We believe that many of these 13 metropolitan centers have common characteristics; to include ethnic language barriers, and to include people who have dropped out from the local school system, and to include other people who may just be difficult to contact through the normal means that are available to us. Thus, we want to concentrate on registration improvement in those 13 geographic areas.

Senator ABDNOR. Very good.

You also state that you developed and implemented far-reaching and innovative changes in the registration improvement program. Would you please provide a more detailed list of these for the record?

Mr. TURNAGE. Yes, sir, we will be glad to provide it for the record, and I think that the statistics that we reported in the opening statement indicate the success of the registration improvement program.

[The information follows:]

REGISTRATION IMPROVEMENT PROGRAM

The far-reaching and innovative changes in the registration improvement program include activities carried out by both national headquarters staff and Reserve Force officers. They are: (1) Sending reminder postcards to young men as they turn 18; (2) conducting on-site registration at high schools in target cities; (3) securing lists of high school males' of registration age for use in awareness and compliance programs; (4) securing State and local proclamations in support of registration; and (5) working with other agencies to support legislation requiring that young men of registration age are registered before receiving student loan and job training benefits.

13 METROPOLITAN CENTERS

Senator ABDNOR. Also would you identify the 13 metropolitan areas where the registration noncompliance is the highest so we have it for the record?

Mr. TURNAGE. We will do so, sir.

Senator ABDNOR. Thank you.

[The information follows:]

METROPOLITAN AREAS OF HIGHEST NONCOMPLIANCE

The 13 metropolitan areas in the Northeast and west coast regions where registration noncompliance is the highest are:

1. San Francisco/Oakland, Calif.
2. New York, N.Y.
3. San Jose, Calif.
4. Sacramento, Calif.
5. Los Angeles, Calif.
6. Baltimore, Md.
7. Boston, Mass.
8. Anaheim, Calif.
9. San Diego, Calif.
10. Philadelphia, Pa.
11. Newark, N.J.
12. Riverside/San Bernardino, Calif.
13. Portland, Oreg.

COMPLIANCE PROGRAM

Senator ABDNOR. Your compliance program is based on computerized matching of names with different data bases along with followup compliance letters. This program has resulted in 551,256 registrations of former registrants; that is, as of February 10, 1964. What is your estimate of the number of nonregistrants still remaining by year of birth?

Mr. TURNAGE. As the chairman is aware, the first men registered in the system after the initiation of registration in July 1980 was the 1960 year-of-birth group. As of the current date, according to our records, we don't have any from that group who have failed to comply. In other words, we show 100 percent compliance for the 1960 year-of-birth group. That is simply based on the fact that we have actually achieved more registrations from that group than the census depicted as a population count for the 1960 year-of-birth group.

Second, the same compliance rate exists for the 1961 year-of-birth group. We have 100 percent compliance for that year.

For the 1962 group, we have 99.1 percent compliance, with what we compute to be 18,000 who have failed to comply.

For the 1963 year-of-birth group, we show 99.1 percent compliance, also with 18,000 who have not complied.

And for the 1964 year-of-birth group, we compute that the compliance rate is 96 percent, with some 79,000 who have not registered.

One of the things that we find characteristic with the process of registration, and it has been so historically, is the fact that there has been procrastination or reluctance to register on a timely basis. You will note, sir, as we look at the more recent year-of-birth groups, the number of noncompliants increases. But with time, as we have an opportunity to identify noncompliants through our computer file-match program, and contact them with letters and so forth, then, with time, the numbers diminish markedly.

NONCOMPLIANCE AND LATE REGISTRATION

Senator ABDNOR. Is there any penalty for late registration?

Mr. TURNAGE. There is a penalty, Mr. Chairman. However, we have elected not to pursue the penalty for late registration because our real objective is registration, not prosecution. Thus, we give a young man every reasonable chance to register with the system, as opposed to his being prosecuted through the judicial process.

Senator ABDNOR. When you give us the numbers for the record would you also provide the numbers of nonregistrants for the time period for each year from 1981 to 1983?

Mr. TURNAGE. Yes, sir, we will.

[The information follows:]

NUMBERS OF NONREGISTRANTS

Year of birth	Feb. 23, 1981 [1]	Jan. 3, 1982 [1]	Feb. 15, 1983 [1]	Feb. 26, 1984
1960	162,000	153,000	54,000	
1961	134,000	111,000	3,000	
1962	416,000	249,000	69,000	18,000
1963		362,000	75,000	18,000
1964			280,000	79,000
1965				310,000

[1] Potential registrants adjusted to current year figures.

CONSCIENTIOUS OBJECTORS' STUDY

Senator ABDNOR. Your opening statement mentions the October 1983 study on the feasibility of permitting young men to claim that they are conscientious objectors at the time of registration. One way of implementing this is a checkoff box on the registration form. What problems would such an approach create?

Mr. TURNAGE. First of all, I think it is important to state for the record, Mr. Chairman, that under current law, there is no classification. The Selective Service System is simply conducting a registration process. That is all. We ask people to answer about seven questions in order to identify a manpower count. In the event that it was the decision of Congress that we were to have a mobilization, each individual that is subsequently inducted would then have an opportunity to be classified. These rights are safeguarded and already provided in the system. And equity is incorporated into that system. If we were to specifically identify any small group at this time and start a process in which that small group of individuals indicate that they intend to file claim for conscientious objection, we think that process would generate difficulties and misperceptions. We think we would end up with some frivolous activities associated with that process, and we believe we have experience which substantiates that prediction.

Additionally, we think the information obtained in the process would be perishable, inasmuch as young men could change their mind between the time they so registered and the time they might actually be called. And further, we think it would be discriminatory, in the sense that those who insist on making such a claim at the time of registration represent a very small segment of the whole society. We think it would be far more equitable and effective, for example, for us to identify those who have medical infirmities, or are physically handicapped, or have mental infirmities. More than that, we know it would be expensive. Therefore, it is a process that, at the present time, in our judgment, would be unwise, and even superfluous.

Senator ABDNOR. Thank you, sir. We thank you both for your appearance here today.

Mr. BRODSKY. Thank you, sir.

SUBMITTED QUESTIONS

Senator ABDNOR. We do have 20 pages of additional questions for the record.

Mr. TURNAGE. Thank you very much, Mr. Chairman.

Senator ABDNOR. You bet.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

REGISTRATION IMPROVEMENT PROGRAM

Question: In your statement you point out that there is a problem with registration noncompliance in 13 metropolitan centers in the Northeast and West Coast Regions. You are requesting an additional $104,000 to fund two additional man years for Reserve Force Officers to concentrate on registration improvement. Would you please provide some details on the activities that would be involved in the Registration Improvement Effort?

Answer: Activities include: (1) Delivering speeches before civic and school groups; (2) Contacting radio, TV and newspapers to provide Selective Service promotional material and do interviews; (3) Visiting high schools and colleges to distribute information on registration; (4) Securing lists of high school males of registration age to be included in our awareness and compliance programs; (5) Conducting on-site registration at high schools in conjunction with awareness activities; (6) Securing state driver's license lists of men of registration age; (7) Requesting that governors issue proclamations in support of registration; (8) Securing public service display space for billboards and public transit advertisements; and (9) Developing new contacts with organizations that might provide for dissemination of information through flyers or display of posters.

CONSCIENTIOUS OBJECTOR STUDY

Question: Your opening statement mentions the October 1983 study on the feasibility of permitting young men to claim that they are conscientious objectors at the time of registration. What problems do you foresee with the concept in general?

Answer: First, the act of registering as a conscientious objector would in no way add to the legal rights of the registrant. His rights to claim conscientious objection and to have his claim heard by his local board are already established.

Second, if Selective Service were to move from registration toward classification of individuals, the Nation would be better served if the additional manpower and dollars involved were devoted to classifying the permanently physically handicapped.

Third, some registrants, having registered as conscientious objectors, might erroneously conclude that their claim had been established simply on the basis of their conscientious objection registration.

Fourth, in the event of classification, some local boards might give prejudicial treatment to the conscientious objection claims of those who had registered as conscientious objectors.

Finally, Since most conscientious objectors have already registered, any increase in registration would be so small as to be almost immeasurable. Our study finds that the registration increment would most likely not exceed 0.01% of the eligible population and would incur additional costs disproportionate to the return.

PAY FOR ALTERNATIVE SERVICE PROGRAM PARTICIPANTS

Question: In the event of mobilization the majority of the registrants will serve in the armed services. Others for reason of conscience will be exempted from military service and will be placed in civilian jobs.

The way the program is set up is that civilian associations and other employees would pay the alternative service program workers the same amount as the other employees performing the same job.

This raises some extremely difficult issues of equity. The potentially large difference in pay between the conscientious objector at home and serviceman in the front lines cannot be ignored. I also recognize that consideration of the minimum wage law, differences in the cost of living in various sections of the country, and other items, complicate the identification of other solutions to this alternative service pay issue.

Would you please prepare a report for the Subcommittee by May 14, outlining various wage options and the advantages and disadvantages of each.

Answer: Yes. In fact, some weeks ago I directed that a study be initiated to determine the feasibility of limiting payments to ASW workers.

ADP DATA TRANSACTIONS

Question: Last year you indicated that your employees at the Data Management Center processed an average of 285 transactions per day in FY 82 and that your stated goal for FY 84 was 400 transactions per day.

What was the rate achieved in FY 83 and your rate for the first quarter of FY 84?

Answer:	FY 83 -	385 transactions per person per day
	First Quarter FY 84 -	365 transactions per person per day

The reason we will not achieve our prior stated goal of 400 transactions is because of increased time required for handling telephone calls of a personalized service nature related to the Job Training Partnership Act and the Federal Student Loan program requirements concerning registration.

ADP CONTRACTING

Question: In the past you have requested and received additional positions and funds for the editing and keying of registration forms. Last year I suggested that Selective Service not hire additional employees to perform these ADP functions but instead consider the use of private sector contractors.

The Selective Service performed an analysis and provided data to show estimated savings of $523,866 in FY 83 and $809,042 in FY 84 by performing the work in-house.

This year I was surprised to note a request for $160,000 for ADP related contractual services apparently related to the growth of the data base and the registrant inquiries.

Why is this work not being done in-house?

Answer: Lack of staff.

Question: In your proposal to OMB did you request the staff to perform this work in-house? What reason did OMB give for denying this request?

Answer: Yes, we did make that request of OMB. It was denied because of the Administration's desire to reduce the overall federal payroll and instead contract work to the private sector.

Question: Would you please explain what is proposed to be accomplished in this contract and provide a cost comparison of performing the work in-house versus outside contract? Please provide the same level of detail as you provided in your response last year.

Answer: Microfilming of registrant records, and mass mailing during peak workload periods. We did not perform a cost study on this amount as OMB regulations exempt small operations involving less than 10 people.

Question: Has any money for ADP contracts been spent in the last three years? If so, would you please provide details for the record on the amount and purpose of each contract?

Answer: Spending for ADP contracts is as follows:

	($000)			
	FY 82	FY 83	FY 84	FY 85
Contractual Support for the Registrant Information Management System	225	95	-0-	50
Department of Interior - Computer services and microfiche services	256	66	55	44
Microfilm services	19	13	20	72
Timesharing services	15	-0-	2	2
Training services	23	-0-	-0-	-0-
Software development	-0-	-0-	60	-0-
Registrant inquiries	-0-	-0-	-0-	160
TOTAL	$538	174	137	278

PUBLIC AWARENESS PROGRAM

Question: In your statement for the record you indicated that your primary goal is to register men not to prosecute them.

I recognize that you are not requesting an increase in funds for the Public Awareness Program. What will you be doing in FY 85 to increase registration and how will this differ from what has been done previously?

Answer: We will continue with the same multi-media, multi-faceted public awareness program that has resulted in a 98.9% compliance rate for the draft eligible population, and a 96.5% compliance rate overall.

Additionally, we will be increasing our efforts in the urban areas where the numbers of non-registrants are higher with specially designed products (such as our music-video, television PSAs, transit cards and billboards).

PUBLIC AWARENESS RESEARCH

Question: Last year you indicated it would be desireable to undertake in FY 84 "attitudinal research to determine the best methods of delivering the registration message". When do you plan to initiate such activity?

Answer: The Congress did not grant us the additional funds requested to undertake such research. Our budget of $600,000 per year must cover the production and distribution of radio and TV public service announcements to 250 TV stations and 7,500 radio stations (semi-annually), as well as printed materials such as posters, brochures, handouts, and ad slicks for semi-annual distribution to 24,000 high schools and 8,000 colleges and post-secondary educational institutions, plus billboards and transit cards. We simply do not have the additional $100,000 that would be required to do an effective attitudinal research study.

PROSECUTION OF NON-REGISTRANTS

Question: You have indicated in previous years that the primary consideration in determining whether or not to initiate enforcement action against individuals that fail to register was "evidence of a knowing failure to register or evasion or refusal will suffice". How many individuals failed to register in FY 83?

Answer: An individual is considered to have failed to register only after Selective Service has made at least 2 letter attempts to inform the individual of the registration requirement and to urge his registration or evidence of his exemption. If he fails to register thereafter, or fails to respond at all, he is then considered to have knowingly failed to register. On that basis, 77,465 individuals failed to register during FY 83.

Question: How many cases did you refer to the Justice Department for prosecution?

Answer: 77,465 cases were referred to the Department of Justice.

Question: How do you decide which cases should be referred for prosecution?

Answer: All cases are referred. Department of Justice decides which cases to pursue by investigation and prosecution.

ADDRESS VERIFICATION

Question: In September 1982, the Government Accounting Office issued a report stating that, "...address information for between one-fifth and two-fifths of the registrants facing induction could be outdated. Since undeliverable or late induction notices increase the probability that those persons who keep their registration current would be drafted, the equity of the system is reduced."

In order to update this address information, you intend to annually mail 2.6 million verification letters to registrants in their 19th and 20th year.

How many letters did you send out in FY 83?

Answer: 3,398,271 letters.

Question: What response did you have?

Answer: 304,142 letters were returned with address and other miscellaneous changes. 123,389 letters were returned as undeliverable. The balance were not returned so we assume they were accepted by the registrant addressee as correct.

Question: How many letters do you plan to send out in FY 84 and FY 85?

Answer: 3.6 million letters will be sent out in each of the years FY 84 and FY 85.

Question: What will be the cost of this annual verification process — printing, postage and processing?

Answer: The annual verification cost is:

FY 83	FY 84	FY 85
$524,000	$725,000	$733,000

ALTERNATIVE SERVICE STATUS

Question: Under the Military Selective Service Act, the Director of Selective Service is charged with the responsibility of placing conscientious objectors in civilian work related to the National Health, Safety or Interest. The program consists of three major components and I would like you to discuss the status of each of these activities since last year's hearing:

- The identification of Employers or Associations for Alternative Service
- A job matching system to link conscientious objectors with specific jobs
- A case tracking and monitoring system to manage the system once it is activated
- The Civilian Review Boards which determine if job assignment is appropriate.

Answer: The Employer Network. We have identified a number of Federal agencies and private associations which would cooperate with Selective Service in finding jobs for conscientious objectors. With some, such as the Department of Housing and Urban Development, the U.S. Forest Service, the Woodcrest Service Committee, and the United Church Board for Homeland Ministries, we have formal agreements. With others, such as the Boy Scouts of America, the California Association of Health Facilities, the National Easter Seal Society, and the National Urban League, we have exchanged letters of understanding.

The Job Matching System. This system was completed as a distinct ADP package more than a year ago. All that remains is to translate it into the ADP system for Alternative Service, known as the Alternative Service Program System. This activity is scheduled for completion before the end of FY 1985.

The Case Tracking and Monitoring System. This has been a major activity in recent months and is scheduled for full development by the end of FY 1984. The system is to be tested during FY 1985.

The Civilian Review Boards. The Civilian Review Boards, mandated by the Congress in 1982, are now being chosen. We have already appointed more than 100 of the anticipated 480 members. Training of Review Board Members is to begin this Spring and be completed by the end of FY 1984.

OUTSIDE CONTRACTUAL SERVICES

Question: On page 10 of your budget justification you indicate $137,000 is being spent in FY 84 on contractual services.

Would you please identify what these services are?

Answer: The $137,000 contractual services are for:

Microfiche records at Department of Interior	$55,000
Microfilm services of registrant records	20,000
Computer time sharing services for UPDS	2,000
Software development for area office terminals	60,000
	$137,000

ADDITIONAL POSITIONS

Question: Your budget justification indicated that you are not requesting any additional permanent positions.

Did your request to OMB include any additional positions?

Answer: Yes. Seven new positions were requested in order to respond to registrant inquiries.

Question: Could you please provide, for the record, the number of FTEE for FY 83, FY 84 and FY 85? Please include FTE associated with overtime and holiday hours.

Asnwer: 1983	1984	1985	
279	277	277	regular
6	10	10	overtime and holiday

OMB REQUEST

Question: Is the amount requested in your budget justification different from your OMB request?

Answer: Yes, the Congressional request is $659,000 less than our request to OMB.

Question: Would you please indicate those program areas that were reduced?

Answer:

1. $100,000 for increase in USPS registration rate.

2. $312,000 for transfer to MEPCOM for higher costs of JCC.

3. $115,000 for travel for L&A Board multi-board training sessions.

4. $117,000 for 2 days annual training for reservists.

5. $15,000 for registrant inquiry personnel.

Question: What impact will these reductions have upon the programs?

Answer:

1. No impact. The rate will not increase as much as anticipated.

2. No impact. MEPCOM is fully funded.

3. The local board group sessions will not be completed during fiscal 1985 and will have to extend into fiscal 1986. There will be no make-up sessions held for local board members who are unable to attend the regular training session. Appeal boards will have to meet locally instead of regionally.

4. No impact. We will not pay reservists for the extra 2 days.

5. We will have to rearrange personnel and contract out other functions.

TRAVEL AND TRANSPORTATION OF PERSONS

Question: In FY 84, you programmed $843,000 for travel and transportation of persons. For FY 85, you are requesting $930,000, or an increase of 10%.

Why do you need this increase — please be specific?

Answer: $53,000 is for local board member training.

$34,000 is for higher per diem and transportation costs.

CONSULTANTS AND EXPERTS

Question: How much do you expect to spend for consultants and experts in FY 83, FY 84 and FY 85?

Answer: Nothing.

FY 84 PAY SUPPLEMENTAL

Question: You have asked for a $394,000 FY 84 civilian and military pay raise supplemental.

How much of your increased pay costs will you be able to absorb?

Answer: None. OMB recognizes our austere budget situation and authorized our request for the full pay costs.

Question: What would be the impact of Congress not approving this supplemental request?

Answer: We would have to cut our programs or RIF personnel. We have no excess funds.

OTHER SERVICES

Question: On page 19 of your budget justification you indicated an increase in object classification 25, "other services" of $2,754,000 from FY 84 to FY 85.

Would you provide some detail on this increase of approximately 70%?

Answer:	$2,600,000	for transfer to DOD for full funding of the military retimement pension system related to our active duty and reserve force personnel
	160,000	for ADP contractual services
	62,000	for MOBEX evaluation contract with DOD
	$2,822,000	
	- 68,000	general non recurring decrease
	$2,754,000	

PUBLIC AWARENESS

Question: How much did you spend for public awareness in FY 83?

Answer: $664,000

Question: How much do you expect to spend in FY 84 and FY 85?

Answer: FY 84 - $600,000. FY 85 - $600,000.

USE OF OTHER DATA SOURCES

Question: Last year, you stated that the Selective System System was using Drivers License and High School Graduation Lists in identifying nonregistrants. You indicated that you were using IRS and 42 State Drivers License Agency Records as additional sources for identification.

How many states presently have agreed to furnish drivers' records?

Answer: Presently 46 states, the District of Columbia, and 4 Territories have agreed to furnish drivers license data.

Question: What progress is being made in the remaining states and what inducements can you offer for their cooperation?

Answer: Two of the remaining four states have provided us data in the past, but have not yet agreed to provide us updates to this data.

One state has agreed to furnish the data, but has restricted its use so that we may not refer individuals identified as violaters to the Department of Justice. We are working to resolve this issue.

For two states, we have prepared a legislative exemption providing for release of data to Selective Service which will be submitted at the next session of the state legislature.

We are working with the other state on the interpretation of the state's

Privacy Act.

TRAINING

Question: How much are you requesting for training for board members, appeals board and ASW civilian review boards?

Answer: We are requesting an increase of $53,000 for training local and appeal board members. The approximate total amount spent on this activity is as follows:

		($000)	
	FY 83	FY 84	FY 85
Local & Appeal Boards	321	380	489
Alternative Service	-0-	140	140
TOTAL	321	520	629

SELECTION OF BOARD MEMBERS

Question: In the past, you have provided the Committee with a statistical summary of the selected board members, including demographic data. Could you please update this information for the record?

Answer: Statistical information is as follows:

BOARD MEMBERS AS OF FEBRUARY 13, 1984

APPEAL BOARD MEMBERS:

REGION	REQUIRED	ON BOARD	SHORTAGE
I	95	95	0
II	130	130	0
III	60	60	0
IV	65	63	2
V	65	64	1
VI	60	60	0
TOTALS	475	472	3 (0.6%)

LOCAL BOARD MEMBERS:

I	2305	2128	177
II	2245	2168	77
III	2025	1941	84
IV	1225	1166	59
V	1540	1451	89
VI	1215	1157	58
TOTALS	10,555	10,011	544 (5.27%)

Senator Garn—Continued

DEMOGRAPHIC DATA

Category	Number	Percentage	Census %
Sex			
Male	8330	79.5	
Female	2153	20.5	
Race			
Black	1219	11.63	11.7
AI/AN	115	1.10	0.63
A/PI	88	0.84	1.5
Ethnicity			
Hispanic	577	5.5	4.4

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

MOBILIZATION

Question: How many inductees could be delivered within 13 days of a mobilization?

Answer: M+13 is the first reporting date for inductees. DOD requirements call for 12,500 men to be examined. 6,250 are expected to pass the examination and be inducted.

Question: If a mobilization were ordered tomorrow, how would you proceed?

Answer: In the event of a national emergency requiring the mobilization of the nation's manpower resources, the Selective Service System will make the transition from its present posture to an active operational organization capable of fulfilling the wartime manpower requirements of the Department of Defense. The Reserve Forces Officers of Selective Service will be immediately ordered to active duty. A lottery will be conducted to assign Random Sequence Numbers, and an "order of call" will be established. The Director of Selective Service, acting for the President, will administratively assign Class 1-A (available for induction) classifications to registrants. Induction orders at the rate of approximately 35,000 per day will be transmitted to registrants as Western Union mailgrams. Each order will contain the following information.

- Identification of the registrant ordered for induction.
- Orders to report to a designated Military Entrance Processing Station (MEPS) at a specific date and time.
- Procedures to follow if unable to comply with the induction order.
- Exemption and deferment rights.
- The address of the registrant's local board/area office to which claims should be sent.

Concurrently, Selective Service Reserve Force Officers will activate state headquarters, establish 436 area offices at preselected recruiting office locations, activate local boards and establish 95 district appeal board offices. Fifteen hundred pretrained Armed Services recruiting personnel will remain with the recruiting offices to assist Selective Service for 45 days in establishing the area offices. The area offices handle claims and support the local boards which decide the judgmental claims for postponement and administrative classifications or reclassification.

CONSCIENTIOUS OBJECTORS

Question: Briefly outline the findings of your October 1983 study on the feasibility of permitting young men at the time of registration to signify their intent to make a claim of conscientious objection?

Answer: The study found that such a registration is technically feasible but otherwise undesirable. It would add to the operating costs of Selective Service. Some registrants would mistakenly believe that registering as a conscientious objector was tantamount to obtaining conscientious objector status. Virtually all men of draft age who would claim conscientious objector status have already registered. Should registration as a conscientious objector be instituted, we estimate that it would only add approximately 0.01% to the registration figures.

Question: Why can't we just use a checkoff box to identify those who intend to make a claim of conscientious objection?

Answer: The 1983 study found the checkoff box to be disadvantageous compared to other options. The major problem is that many young men would be confronted with making a decision on the checkoff box with insufficient information. With current error rates of 1 percent on sex and 3 percent on year of birth, the anticipated error rate on the checkoff box would be much higher. Also, a number of potential registrants would likely decide to defer and possibly neglect registration because of indecision over the checkoff box.

Question: Should there be a mobilization or reinstitution of the draft, how many conscientious objectors would you expect to have?

Answer: Past experience suggests the reason for having a draft influences the number of conscientious objectors. If the cause were an attack on the United States, we would expect that conscientious objector claimants would account for less than 1% of inductees. If the conflict generated significant opposition among the general public, the conscientious objector claimant rate could be on the order of 10%. For other scenarios, the conscientious objector claimant rates are estimated to be between 1% and 5%.

Question: If registrant makes any reference to conscientious objection, now, do you acknowledge the reference or ignore it?

Answer: Conscientious objection and conscientious objector status is one of several classification determinations. Others include ministers, ministerial students, hardship, and student. At the present time, the only determination which is being made is that specified in the Military Selective Service Act for peacetime, namely, whether or not an individual required to register by that legislation has done so. No classification determinations are currently being made.

ACTIVE COMPLIANCE PROGRAM

Question: How many nonregistrants have you identified through the agreement with the Internal Revenue Service? The Social Security Administration? State drivers license records?

Answer: Over the past two years we have identified approximately 1.5 million nonregistrants through our agreements with IRS/SSA - 5%, DMV - 86%, and VA - 9%. During this time, we have resolved over 900,000 of these cases, and have referred 118,000 names to the Department of Justice for prosecution. We are in various stages of correspondence with the balance of the identified nonregistrants.

Question: What other sources of information have you used?

Answer: Other programs have also been developed to obtain the names and addresses of potential registrants. Information has been sought from state and county boards of education, from the list of names used by DoD recruiters and from commericial list companies. Voter registration lists have also been utilized. The SSS has recently concluded an agreement with the Veterans' Administration which provides the Agency data from the Veterans' Assistance Discharge System data base. These are the major sources of information which have been used to date.

SPANISH LANGUAGE PROGRAMS

Question: How much have you spent on Spanish language broadcasts, brochures and other public awareness programs?

Answer: For FY 83 we expended $19,000 in the development of Spanish language materials. During the first five months of FY 84 we have spent $1,900 on Spanish language materials.

Question: Are you preparing materials in any other languages?

Answer: We are not currently preparing materials in any other language.

Question: Do you perceive a particular registration problem among Spanish speaking youth?

Answer: We have no way of knowing whether or not there is a registration problem among Hispanic youth. However, there are large concentrations of Spanish speaking young men in urban areas where we have a registration problem.

Question: Where are most of your Spanish broadcasts and publications used?

Answer: Our Spanish broadcasts and publications are used throughout the country.

SPANISH SPEAKING PERSONNEL

Question: Do you have Spanish speaking personnel in any areas? Where? Was this a requirement of employment?

Answer: The Selective Service System has a very unique personnel structure. It is comprised of 249 full-time compensated civilian employees, over 11,000 uncompensated civilian personnel (our standby local and appeal board members), 24 military officers on extended active duty or fixed length tour and 728 National Guard and Reserve officers in mobilization reserve status. Among the over 12,000 people represented in this workforce, there are quite a number of Hispanics and Spanish-speaking personnel. Generally, their ability to converse in Spanish was not essential to their employment, rather it was a desirable characteristic. On the other hand, as we were recruiting and selecting the civilian volunteers to staff our standby boards, we did select, insofar as possible, persons who represented the demographic characteristics of the areas served by the particular board. Hispanics represent nearly 6% of our board members across the country.

REFERRALS TO THE DEPARTMENT OF JUSTICE

Question: How many cases did you turn over to the Justice Department in FY 83 for nonregistration? In FY 84 to date?

Answer: Approximately 77,000 cases were turned over to the Justice Department in FY 83.

Approximately 41,000 cases have been turned over to date in FY 84.

Senator Huddleston—Continued

Question: What is the status of current cases?

Answer: The status of current cases, as of March 6,1984, is as follows:

Criminal Cases

1. U. S. v. David Wayte, 549 F. Supp. 1376 (C.D. Cal., 1982); 710 F.2d 1385 (9th Cir. 1983)

Los Angeles, California - Charged with refusal to register - represented by counsel - pleaded "not guilty."

The District Court dismissed the case on the following grounds:

a. Executive Priviledge was deemed to be insufficient justification to deny Wayte information which he might need to establish his case in a criminal prosecution; notwithstanding the government's further assertion that the information would not be significant in developing his case.

b. Wayte was being selectively and discriminatorily prosecuted.

c. The Proclamation implementing registration was deemed to be invalid because of inadequate notice publication.

The Government appealed the District Court's rulings. On July 19, the 9th Circuit Court of Appeal reversed the District Court. Wayte filed a petition to have his case heard by the 9th Circuit Court of Appeals en banc (i.e. generally, before the entire panel of Circuit Court judges, rather than the three judge panel that heard the original arguments). The petition for rehearing en banc was denied on November 7. Wayte has filed a petition for Certiorari (a petition asking the Court to consider the case) with the U.S. Supreme Court. The trial was set for March 6, but upon motion of Wayte, has been postponed until the Supreme Court rules on the petition for Certiorari. Judge Terry Hatter who presided at the early hearings in this case, continues to preside.

2. U.S. v. Russell Martin, 557 F. Supp. 681 (N.D. Iowa, 1982)

Cedar Rapids, Iowa - Charged with refusal to register - represented by counsel - pleaded "not guilty."

The Court ruled that language in the indictment characterizing non-registration as a "continuing offense" was defective and struck that portion of the indictment.

The Government has appealed. An Amicus Brief was filed in support of Martin's position by three organizations: the National Lawyer's Guild; the Southern Christian Leadership Conference of Greater Los Angeles; and the Center for Constitutional Rights (probably L.A. based). Arguments before the 8th Circuit Court of Appeals in Omaha, Nebraska were heard on February 18, 1983. On petition of Martin granted by the Court before a decision was issued, this case was re-argued before the 8th Circuit Court of Appeals en banc on September 2. The Court also heard the U.S. v. Eklund case at the same time. We are awaiting a decision.

3. U. S. v. Enten Eller -

Roanoke, Virginia - Charged with refusal to register - represented by counsel - pleaded "not guilty" - found guilty - placed on probation under the Federal Youth Corrections Act to perform 250 hours of community service and ordered to comply with registration law by November 18, 1982 - failed to register - petition for revocation of probation filed and heard - probation extended and ordered to perform 2 years of community service at a VA hospital beginning after completion of his senior year in college. The conviction in this case is final. No appeal has been filed. The VA refused to accept Eller's service. The judge, therefore, rescinded his original order and issued a new order assigning Eller to work, full time without pay, for 2 years for the Total Action Against Poverty agency in Roanoke, VA. Eller began working with the agency on June 13.

4. *U.S. v. Benjamin Sasway*, 686 F.2d 748 (9th Cir., 1982) (Denied appeal of a motion to dismiss indictments on selective prosecution grounds)
   San Diego, California - Charged with refusal to register - represented by counsel - pleaded "not guilty" - found guilty - sentenced to 30 months imprisonment - Sasway has appealed. Briefs have been filed. Oral arguments were presented to the 9th Circuit Court of Appeals on July 6. On February 2 the Circuit Court of Appeals affirmed Sasway's conviction.

5. *U.S. v. Gary Eklund*, 551 F. Supp. 964 (S.D. Iowa, 1982)

   Des Moines, Iowa - Charged with refusal to register - represented himself - pleaded "not guilty" - found guilty - sentenced to 2 years imprisonment - Eklund has appealed. Briefs have been filed. Oral arguments before the 8th Circuit Court of Appeals were made before the Court, *en banc*, on September 2, concurrently with the case of *U.S. v. Martin*.

6. *U.S. v. Mark Schmucker* 721 F. 2d 1046 (6th Cir., 1983) (Remanded to District Court for evidentiary hearing on selective prosecution issue)
   Cleveland, Ohio - Charged with refusal to register - represented by counsel - pleaded "not guilty" - found guilty - placed on probation for 3 years under the Federal Youth Corrections Act to perform duties, full time, at an institution for the severely mentally retarded for 2 years; confined to the grounds of the institution unless authorized to leave by the institution director and the probation officer, and fined $4000 - Schmucker appealed - on November 25, the Circuit Court of Appeals for the 6th Circuit ordered the case back to the District Court for an evidentiary hearing on the issue of selective prosecution, but retained the other issues in the case for further consideration after the selective prosecution hearing. The appellate court felt that Schmucker made a *prima facie* case of selective prosecution; therefore, requiring the government to present evidence that, in fact, selective prosecution did not occur. The Government has petitioned for rehearing *en banc*. The petition is pending.

7. *U.S v. Kendal Warkentine* -

   Wichita, Kansas - Charged with refusal to register - represented by counsel - pleaded guilty. - Warkentine was sentenced to 2 years unsupervised probation and as a condition of probation, was required to register before March 20. Selective Service was advised by the Court to accommodate Warkentine if he registered and noted his conscientious objection on the registration form. Warkentine has registered and did note his conscientious objection on the registration form.

8. U.S. v. Edward Hasbrouck -

Boston, Massachussetts - Charged with refusal to register - represented himself - pleaded "not guilty" - found guilty. Hasbrouck was sentenced to six months imprisonment but incarceration was suspended; he was also placed on probation for 2 years and required, as a condition of probation, to perform 1000 hours of community service under supervision of the probation officer. Hasbrouck has appealed; he has not yet filed his appellate brief. In the meantime, having failed to agree with the probation officer concerning the nature of the community service he was to perform, even after a stern admonition from the presiding judge on October 11, he was found in violation of probation on November 22 and incarcerated for a period of 6 months to reconsider his recalcitrance.

9. U.S. v. Russell Ford -

Hartford, Connecticut - Charged with refusal to register - represented by counsel - pleaded "not guilty" - found guilty - Ford spent 36 days in jail awaiting sentence - on June 6, the Court sentenced Ford to 35 days in jail. Having served 36 days awaiting sentence, he was released. Ford did not appeal. The time for filing his appeal has expired.

10. U.S. v. Samuel Eakes Matthews -

Cincinnati, Ohio - Charged with refusal to register - represented by counsel - pleaded "not guilty" - Matthews waived jury trial. He was tried and convicted on July 14. On August 25, 1983, Matthews was sentenced to one year and one day in Federal prison. Matthews did not appeal. He was incarcerated in Federal Prison in Indiana - after serving about 3 months, the sentencing court commuted his sentence and ordered his release on November 30. Parole was not imposed.

11. U.S. v. Michael Mc Millan -

Madison, Wisconsin - Charged with refusal to register - Charges were dismissed after Mc Millan registered.

NOTE: All the above cases are trial court cases; i.e. they have not yet been decided on appeal. The Wayte case is an exception only to the extent that pre-trial decisions of the trial court were appealed and ruled upon by a Circuit Court of Appeals. The Sasway case is another exception. His case has been affirmed and is final, unless he can persuade the Supreme Court to review his conviction.

Trial court cases provide no binding precedent for other cases; however, they do have some precedential value in arguments before another court. Appeal Court decisions are only binding precedent within the geographical jurisdiction of the respective Appellate Court.

The following named individuals have been indicted and are awaiting trial:

12. U.S. v. David Gillam Kerley -

Madison, Wisconsin - Charged with refusal to register - represents himself - pleaded "not guilty" - Kerley filed pre-trial motions to dismiss the charge for a variety of reasons. On October 25 a U.S. Magistrate submitted a report and recommendations to the District Court. He recommended denial of 11 motions filed by Kerley, but recommended granting one and recommended dismissal of the charge against Kerley. The District Court will review the recommendations of the Magistrate and issue an order adopting or rejecting the recommendations. The Magistrate recommended dismissal on the basis of his perception that SSS registration regulations were improperly promulgated; i.e. he believes the regulations needed to be published 60 days before going into effect, whereas they were published for only 32 days before becoming effective. The Government has petitioned the District Court for hearing on the Magistrate's recommendations and to oppose the Magistrate's rulings concerning disclosure of certain government documents demanded by Kerley pursuant to discovery.

13. U.S. v. Charles Epp -

Wichita, Kansas - Charged with refusal to register - represented by counsel - pleaded "not guilty" - an evidentiary hearing on the issue of "selective prosecution" was held on May 23 and 24. The Court has not yet ruled on the selective prosecution issue.

14. U.S. v. Daniel Rutt -

Detroit, Michigan - Charged with refusal to register - represented by counsel - pleaded "not guilty" - Rutt has filed an extensive demand for discovery of documents and other data - the Government is asserting Executive Priviledge regarding some of the documents. Arguments on the Executive Priviledge issue and regarding disclosure of some other documents have yet to be heard by the Court. The issue of selective prosecution has also been raised in this case and is expected to be argued shortly after the disclosure of documents issues are resolved by the Court.

15. U.S. v. Paul Jacob -

North Little Rock, Arkansas - Indicted for refusing to register - (He is a fugitive and has not yet been located).

16. U.S. v. Stephen K. Schlossberg -

Minneapolis, Minnesota - Charged with refusal to register - represented by counsel - arraigned on October 4 - pleaded "not guilty" - pre-trial motions made by Schlossberg were heard by a Magistrate who has recommend denial of all of them. The District Judge has indicated that he will not rule on the Magistrate's recommendations until after the Martin and Eklund decisions are issued by the 8th Circuit Court of Appeals.

Civil Cases

17. MPIRG, et al v. Selective Service, et al, 557 F. Supp. 923 (D.C. Minn., 1983)

Minneapolis, Minnesota - The Minnesota Public Interest Research Group (MPIRG) sued to invalidate the amendment to MSSA (the "Solomon Amendment") which denies Title IV Post-Secondary School Educational benefits to college students who were required to register but failed to do so.

A hearing on procedural issues presented by the Government was held January 10, 1983.

The Court dismissed MPIRG out of the case but allowed 3 unnamed intervenors into the case, effectively substituting them as plaintiff in the suit. The day following the Court's dismissal of MPIRG, a new suit was filed by 3 more anonymous parties, admittedly filed by MPIRG, and alleging the same case as the one that resulted in MPIRG's dismissal. The dismissal of MPIRG was based on a lack of standing to sue. The Court ruled that MPIRG did not have a sufficient representational interest in the case to allow them to sue in behalf of the students attending the Minnesota University system. The University of Minnesota, the Macalester Community College Council (the student body council) and Swarthmore College of Pennsylvania have filed Amicus Curiae briefs in support of the position advanced by the MPIRG.

On March 9, 1983 the District Court issued a preliminary injunction to Selective Service and the Department of Education enjoining enforcement of the "Solomon Amendment."

On June 16, 1983 the Court issued a permanent injunction enjoining Selective Service and the Department of Education from enforcing the "Solomon Amendment." The order stated that its application was to be national; not limited to Minnesota. The Court ruled the denial of educational benefits to non-registrant violators an unconstitutional bill of attainder; i.e. a legislative assessment of a punishment for a violation of a law without opportunity to receive a judicial trial. The Court also regarded the amendment as unconstitutionally requiring students to incriminate themselves in violation of their protections under the 5th Amendment to the Constitution.

The Department of Justice promptly asked the District Court to stay (i.e. suspend) its order pending an appeal by the Government. The District Court refused to grant the stay. Thereupon, the Solicitor General authorized a petition for stay to the U.S. Supreme Court. On June 29, 1983 the Supreme Court granted the stay. The stay, however, does not assure that the Court will hear the case on its merits; the stay merely suspends the lower court's orders until it decides whether or not it will further consider the case on briefs and arguments of the parties.

On December 5, the Supreme Court "noted probable jurisdiction", an esoteric phrase strongly suggesting that the Court will consider the case on its merits. It may take as long as a year before the Court issues an opinion. In the meantime, the "Solomon Amendment" is back in effect and college students who are required to register pursuant to the MSSA will be denied federal educational benefits if their registration requirement has not been fulfilled.

18. Alexander, et al v. Selective Service, et al

Boston Massachusetts - A law suit has been filed in the U.S. District Court for Massachusetts to enjoin enforcement of Department of Education regulations promulgated to implement the "Solomon Amendment".

The plaintiffs are three divinity school students studying at Boston University for ministry in the United Methodist Church. Two are females and one is a male born before 1960. All three are emempt from the registration requirement of the Military Selective Service

Act. All three had previously been granted financial assistance under Title IV of the Higher Education Act of 1965. All were recently denied further Title IV financial assistance because each of them refused to complete forms required by Department of Education regulations which are designed to establish either their exemption from the registration requirement of the MSSA or certification of their compliance with the registration requirement. The students refused to complete the forms on grounds of conscience and religious belief.

The students allege that the requirement to complete the form violates their religious freedom and, in any event, application of the requirement to each of them is unauthorized by law because they are not subject to the MSSA.

Defendants in the suit are Boston University, the Department of Education and the Selective Service System. The case is pending.

In a case on the same subject in the District Court for the District of Columbia brought by different plaintiff's a few months before the Boston case, the court dismissed the case. The Selective Service System was not a defendant in the D.C. case. The Court denied plaintiff's petition for injunction stating that completion of the required form did not constitute a violation of the First Amendment because it did not involve protection of plaintiffs' speech. The Court also ruled that the requirement was not an unreasonable implementation of the law by regulation, well within the Secretary of Education's statutory mandate to promulgate regulations to give effect to the statute. The D.C. case has been offered as precedent in the Boston case.

Prosecution Statistical Summary

16 Indicted

8 Convicted (including 1 plea of guilty)
    3 On appeal by Defendants (Eklund, Schmucker and Hasbrouck)

1 Dismissed before trial (Martin)
    1 On appeal by Government (Martin)

1 Registered before trial (Mc Millan)
1 Registered after conviction and sentencing (Warkentine)
4 Pending. Pre-trial motions by defendants are being considered. (Kerley, Epp, Rutt, Schlossberg)
1 Fugitive, being sought (Jacob)

Question: What is your interpretation of current judicial law on nonregistration? Based on what case or cases?

Answer: Based upon the status of cases, listed above, it would appear that current judicial law on nonregistration supports the compliance efforts expended by the Selective Service System and the Department of Justice.

REGISTRATION VERIFICATION

Question: What procedures do you now use to verify registration for student and job training purposes?

Answer: The SSS worked in conjunction with the DOE in developing the procedure to verify that students have complied with the registration requirement. Students making application for federal education assistance are required to sign a statement attesting to the fact they have registered. At the present time the DOE will periodically conduct a sampling of students to determine if they are in fact registered. This will be accomplished by conducting a records match against the SSS registration files.

The SSS provided input to the DoL in developing a technical assitance guidance package for distribution to all states. All states involved in the Job Training Partnership Act (JTPA) program have been delegated the responsibility for verifying that applicants are registered by the DoL. Options provided to verify that persons are registered in the guidance provided include: (1) verification of registration prior to enrollment, (2) self-certification with sample verification, and (3) self-certification followed by universal verification. The SSS is presently working in conjunction with various states to facilitate their verification efforts. Specifically, SSS is providing both verbal and written confirmation to JTPA officials and applicants soliciting verification information. It is expected that SSS will be conducting some computer matches in the future for some states to determine if JTPA participants have complied with the registration requirement.

Question: How quickly are you responding to requests for verification?

Answer: The SSS response time to requests for confirmation of registration is directly related to the types of inquiries received. Persons calling requesting verbal verification are handled immediately at our Data Management Center. In cases where written documentation is requested, and the person has lost his Acknowledgement Letter, an interim letter is sent in approximately 10 days reflecting his registration status. When an individual registers at a U.S. post office he receives an Acknowledgement Letter in 30-90 days. SSS is presently coordinating with DoL to offer an optional program to states that is designed to facilitate the verification process. JTPA representatives will be permitted to register applicants applying for federal assistance on-site.

Question: How many requests did you receive in FY 83? To date in FY 84?

Answer: During FY 83 our Data Management Center processed 3,329 requests for verbal verification and 31,736 requests for written confirmation on registration. In FY 84 we have processed 3,465 verbal requests and 24,284 requiring written documentation.

RANDOM SELECTION - LOTTERY

Question: Please explain how a lottery would work should one become necessary.

Answer: Using permutations of dates of the year as provided by the National Bureau of Standards (NBS) to determine filling order, 366 capsules are filled with plastic inserts having the dates of the year on them. Those capsules are then loaded into a plastic rotatable drum in random numerical sequence as established by another NBS permutation of the numbers 1 through 366.

After rotation of the drum for at least thirty minutes, the capsules are withdrawn and the date posted to a large display-type board in the sequence drawn. Once all capsules have been drawn and posted, the numbers 1 through 366 will have been randomly matched with the dates of the year.

The matched numbers and dates are then matched with the registrants dates of birth in our registrant data base. The resulting numerical sequence dictates the sequence in which "Orders To Report For Induction" will be issued. Each registrant within the vulnerable year of birth group (YOB) having the same date of birth and sequence (Random Selection Number (RSN)) would receive an "Order To Report For Induction" at the same time, based upon the calculated number of RSN's required to fill the call levied on the System by the Department of Defense.

ALTERNATIVE SERVICE PROGRAM

Question: You note that the Alternative Service Program for conscientious objectors will (1) establish Civilian Review Boards, (2) identify associations of potential employers, (3) develop a job match system, and (4) develop a system to monitor the conscientious objector's performance.

What is the status of each of these efforts?

If the ASP were implemented tomorrow, what would remain to be done in each case?

Answer: (1) The appointment of Civilian Review Board Members is a current activity. The appointment and training of all Civilian Review Board Members is scheduled for completion by the end of FY 1984. If the ASP were implemented tomorrow, this activity would continue as planned. Should a case arise before a local Civilian Review Board is trained, the case would be referred to an operating Civilian Review Board.

(2) We have identified a number of Federal agencies and private associations which would cooperate with Selective Service in finding jobs for conscientious objectors. With some, such as the Department of Housing and Urban Development, the U.S. Forest Service, the Woodcrest Service Committee, and the United Church Board for Homeland Ministries, we have formal agreements. With others, such as the Boy Scouts of America, the California Association of Health Facilities, the National Easter Seal Society, and the National Urban League, we have exchanged letters of understanding.

If the ASP were implemented tomorrow, we would notify these agencies and associations and ask them to follow through as appropriate with their respective constituencies. The next step would be that thousands of local employers would be encouraged to cooperate with local Selective Service Offices in the placement of conscientious objectors. The end result would be to facilitate the placement of Alternative Service Workers.

(3) The job matching system was initially designed in 1982. It is scheduled to be refined and made an integral part of the Registrant Information and Management System (RIMS) by the end of 1984. If the ASP were implemented tomorrow, we would advance the timetable by a few months.

(4) The complete monitoring system was approved in December 1983 and may be found in Chapter 15 of the RIMS Manual. The accompanying software development is a current activity. Should the ASP be implemented tomorrow, we would operate manually in accordance with RIMS Chapter 15 and move to computer operations as they came on line.

EARLY REGISTRATION

Question: How far in advance of a person's 18th birthday do you now allow them to register?

Answer: We have specified in our literature that an individual may voluntarily register up to 120 days in advance of his 18th birthday. We are not refusing to accept voluntary registrations, however, from individuals who choose to register more than 120 days before their 18th birthday. Any individual choosing to register more than 120 days in advance of his 18th birthday must be within the year of his 18th birthday.

ORGANIZATION

Question: How many area offices have you opened and how many local boards have you set up?

Answer: No area offices have been opened. The specific locations for the offices have been identified. At mobilization the space, furnishings, and temporary personnel required will be made available to Selective Service by the DOD Recruiting Command to assist Selective Service in establishing the 436 Area Offices. All of the local boards (2,113) have been set up. They are in a standby status and the members meet once a year for training.

Question: Is your "field reconstitution" complete?

Question: "Field reconstitution" will not be completed until after M-day when we fully establish the elements of the operational system.

Question: What is the stucture of your operation in Kentucky?

Answer: The standby organization in Kentucky consists of a State Director, and 37 local boards. In addition, Kentucky is authorized 13 Selective Service Reserve Force Officers who, upon mobilization, will establish the State Headquarters and area offices, and provide liaison with the Military Entrance Processing Stations (MEPS).

CONSUMER PRODUCT SAFETY COMMISSION

STATEMENT OF NANCY HARVEY STEORTS, CHAIRMAN

ACCOMPANIED BY:
TERRENCE M. SCANLON, VICE CHAIRMAN
STUART M. STATLER, COMMISSIONER
SAUNDRA BROWN ARMSTRONG, COMMISSIONER
EDGAR MORGAN, EXECUTIVE DIRECTOR
MARTIN HOWARD KATZ, GENERAL COUNSEL
RICK TINSWORTH, DIRECTOR, OFFICE OF BUDGET PROGRAM PLANNING AND EVALUATION

INTRODUCTORY REMARKS

Senator ABDNOR. With that I will ask the Consumer Product Safety Commission to come forward.

We welcome the Consumer Product Safety Commission this morning.

Mrs. Steorts, as Chairman of the Commission, I will turn to you for the guidance here, however you care to proceed. You can introduce your colleagues.

Again it is a pleasure to have you. You have heard me say earlier we do have three agencies before us today so we ask all of you to summarize your statements as briefly as possible. I assure you that the whole entire statements will be made a part of the record.

The Consumer Product Safety Commission is an independent regulatory agency that was established on May 14, 1973, and is responsible for protecting the public against unreasonable risks of injury from consumer products. The Commission develops uniform safety standards for consumer products and promotes research and investigation into the cause and prevention of product-related deaths, illnesses, and injuries.

This year the January budget contains a request for $35 million, the same amount as the fiscal year 1984 appropriation.

With that we will proceed. We welcome you to the committee. You may proceed however you wish.

Chairman STEORTS. Thank you very much, Mr. Chairman.

I would like, if I may, to present the testimony of the Commission. It is a pleasure for the Consumer Product Safety Commission to be here for these budget hearings for fiscal year 1985 in this annual process of reporting to Congress on funding needs.

BUDGET REQUEST

The CPSC budget request that you have before you today asks for an appropriation of $35 million, the same amount as our current year funding. It is $2 million less than the original budget request for fiscal year

1985, which was submitted concurrently to Congress and to the Office of Management and Budget in September 1983. Our revised figure is in accord with the final recommendation of OMB and reflects our subsequent best judgments on how to adjust to these reductions.

We have tried to carefully weigh each activity and responsibility of this agency for maximum benefit to the consumer/taxpayer against the need for overall budgetary restraint. The priority projects of this Commission, as described in the budget request before you, will be fully funded in fiscal year 1985. They will receive maximum dollars from our available resources to meet the current needs they address. Conversely, we have made every effort to apply strict management practices to the expenditure of funds in other areas of our operation.

ACCOMPLISHMENTS

Mr. Chairman, before I outline the Commission's priority projects for fiscal year 1985, I think it is appropriate to look back at a few of our recent accomplishments. A Consumer Federation of America report on trends in household accidents cites 5 million fewer deaths and disabling injuries and total economic savings in medical costs and lost wages of over $14 billion since the creation of the U.S. Consumer Product Safety Commission. This report compares 9-year periods prior and subsequent to the Commission's inception in 1973 and clearly documents the positive impact our efforts have made on safety for the American consumer.

In some cases—like the reduction of toy-related injuries by 23,000 since 1977—we can measure our success through these very encouraging statistics. But these are much more than just figures to us. The decline in the numbers of children injured at play means that our program is indeed working; manufacturers are developing safer toys; and consumers are selecting toys more carefully and more closely supervising their use at home. This joint effort among the Commission, the industry, and the consumer has been very effective in protecting children from harm. It will be increased and continued.

Also, in the area of child safety, this year we developed a voluntary program with toy chest manufacturers. This program assures that in the future, safety hinges will be installed on all new toy chests.

FIRE-RELATED DEATHS

We are also concerned about fire. The reduction of deaths caused by fires has been another Commission priority. First and foremost, we believe that smoke detectors are the single most important lifesaving appliance any home can have. In order to help achieve our goal of having a smoke detector in every home, the Consumer Product Safety Commission worked extensively in 1983 with community and private groups which subsequently distributed 1,179,926 smoke detectors to those who might not otherwise be able to afford them. In addition, through 1,589 community programs and 26 State programs, the Commission alerted Americans to the need for purchasing, installing properly and maintaining smoke detectors.

To further reduce fire-related deaths—some 1,200 Americans die as a result of fires involving upholstered furniture each year—we are working with the Upholstered Furniture Action Council to further improve the cigarette ignition resistance of upholstered furniture.

These programs, Mr. Chairman, represent just a very small sampling of the results of some of our recent efforts. To the Consumer Product Safety Commission, every step toward safer products and consumer awareness is important. Each figure in our statistics represents a child or adult saved from harm—a home saved from fire or explosion.

PRIORITY PROJECTS

The selection of priority projects for the upcoming fiscal year 1985 has become an important and standard procedure in the preparation of the Commission's budget. Special emphasis and full funding is given to those projects which the Commission, as a whole, determines pose the greatest safety risk to the American consumer. We have nine priorities for fiscal year 1985 which include the following:

CHLOROCARBONS

Consumers are widely exposed to two chemicals—perchloroethylene and dichloromethane. Bioassays of these two chemicals are scheduled to be completed during fiscal year 1984 and the Commission will evaluate these, as well as other studies, to determine the cancer risk, if any, that they may pose.

ELECTROCUTION HAZARDS

Six hundred consumers are electrocuted each year by electric products. During fiscal year 1985, the Commission will attempt to reduce electrocutions by working to improve the voluntary standard for hair dryers, pursuing the incorporation of miniaturized ground fault circuit interrupters in certain appliances and attempting to change the national electrical code to require ground fault protection in high-risk areas of the home.

FIRE TOXICITY

About 5,000 people died in residential fires in 1982, and many thousands more were injured. During the past few years we have also witnessed a number of instances where a large number of people died in a single fire. As a matter of fact, we just had a hearing yesterday where we brought major focus to three of those very, very tragic situations. More than half of the people who died did not die from exposure to flames or high temperatures, they died from exposure to the toxic products of combustion. We have initiated a priority project on fire combustion toxicity to address these tragic deaths.

Our new program on combustion toxicity is, in part, aimed at identifying the products of combustion which cause fire deaths and determining the materials in consumer products that generate highly toxic gases when they burn. The Consumer Product Safety Commission will be working with other Federal agencies on this program; as a matter of fact, we had a very successful meeting just about 3 weeks ago, bringing together all of these agencies for the first time to discuss fire toxicity.

GAS HEATING SYSTEMS

Approximately 290 carbon monoxide poisoning deaths and 23,000 fires are caused each year by gas-fired heating appliances. In fiscal year 1985, efforts will be continued to encourage the development of reliable carbon monoxide and fuel gas detectors to be used on these appliances. We also plan to recommend improvements to the voluntary standard for water heaters to address fire and explosion hazards.

INDOOR AIR QUALITY

The Commission has been active in the field of indoor air quality for many years because many of the sources of indoor air pollutants are products under our jurisdiction but this year it is a major priority and there is a great deal in my testimony that goes into that.

NURSERY EQUIPMENT

From 1973 to 1981, the Commission received reports of approximately 1,084 deaths associated with products such as cribs, strollers, baby gates, and high chairs. In fiscal year 1985, a program will be conducted to notify consumers of the hazards of equipment that do not meet mandatory and voluntary standards, advise them on ways to improve the safety of older equipment, and give guidance in the selection of new products.

PORTABLE ELECTRIC HEATERS

Fire is the primary hazard associated with this type of heater which attributed to 130 deaths, 370 injuries, and 3,300 fires during 1982. The agency will work with the industry in fiscal year 1985 to upgrade the voluntary standard by requiring additional thermal controls to improve the safety of this product.

RIDING MOWERS

Each year there are approximately 100 deaths associated with riding mowers and garden tractors. In fiscal year 1985, the Commission will work together with the industry to upgrade the voluntary standard with new stability and blade contact as part of the criteria.

SAFETY FOR OLDER CONSUMERS

The goal of this program is to focus on the senior citizen to raise the awareness of consumers over age 65 to the potential product hazards that their living environment can cause. There is a great deal known about the older consumer—their health, or lack of it, their slower reflexes, their loss of vision, and economic situation. In fiscal year 1985, we will be working with State and local agencies and other groups focusing on the senior citizen to conduct a model project in two communities of the United States; one, Philadelphia and the other Green Bay, Wis.

In conclusion, Mr. Chairman, this agency, which is only 10 years old, has accomplished much in product safety during its brief history. I am pleased to also point out that the Commission is today achieving the solid results of reduced injuries and deaths from consumer products in a growing atmosphere of cooperation between consumers, industry, and government. You may be sure that the Commission stands four-square behind the mandate that Congress has assigned, and that all of the tools available will be used to protect the consumer from unreasonable risks in the marketplace.

We are always cognizant of the need to use our appropriated funds effectively, but also prudently.

Mr. Chairman, this is a brief summary of the statement and I would ask that the entire statement be included in the record.

I also have a personal statement which I will not read because I know time is of the essence. I would like to have that included in the record if I may.

Each of the Commissioners also has a personal statement, and whatever is your pleasure.

Senator ABDNOR. Fine, if they care to summarize.

PREPARED STATEMENTS

We thank you, Chairman Steorts, for that fine report and I assure you your written statement and personal comments will be made a part of the permanent record. You certainly have a great challenge and I know it is a great satisfaction to see the numbers of injuries and deaths drop.

[The statements follow:]

STATEMENT OF CHAIRMAN NANCY HARVEY STEORTS

Mr. Chairman and Members of the Subcommittee:

It is a pleasure for the Consumer Product Safety Commission to be here for these budget hearings for Fiscal Year 1985, in this annual process of reporting to Congress on funding needs.

The CPSC budget request that you have before you today asks for an appropriation of $35,000,000--the same amount as our current year funding. It is $2,000,000 less than the original budget request for FY 1985, which was submitted concurrently to Congress and to the Office of Management and Budget (OMB) in September 1983. Our revised figure is in accord with the final recommendation of OMB and reflects our subsequent best judgments on how to adjust to these reductions.

We have tried to carefully weigh each activity and responsibility of this agency for maximum benefit to the consumer/taxpayer against the need for overall budgetary restraint. The priority projects of this Commission, as described in the budget request before you, will be fully funded in FY 1985. They will receive maximum dollars from our available resources to meet the current needs they address. Conversely, we have made every effort to apply strict management practices to the expenditure of funds in other areas of our operation.

Mr. Chairman, before I outline the Commission's priority projects for FY 1985, I think it is appropriate to look back at a few of our recent accomplishments. A Consumer Federation of America Report on trends in household accidents cites five million fewer deaths and disabling injuries, and total economic savings in medical costs and lost wages of over $14,000,000,000, since the creation of the U.S. Consumer Product Safety Commission. This report compares nine-year periods prior and subsequent to the Commission's inception in 1973 and clearly documents the positive impact our efforts have made on safety for the American consumer. In some cases--like the reduction of toy-related injuries by 23,000 since 1977--we can measure our success through very encouraging statistics. But these are much more than just figures to us. The decline in the numbers of children injured at play means that our program is working; manufacturers are developing safer toys; and consumers are selecting toys more carefully and more closely supervising their use. This joint effort among the Commission, the industry and the consumer has been very effective in protecting children from harm. It will be increased and continued.

Also, in the area of child safety, this year we developed a voluntary program with toy chest manufacturers. This program assures that in the future, safety hinges will be installed on all new toy chests. This safety hinge will protect children from the kind of accidents that have killed 21 youngsters and caused permanent brain damage to others. Through our safety alerts, we have issued warnings about this hazard so that parents will be aware of the need to install these hinges on toy chests which may already be in their homes. We will continue these warnings in an effort to prevent children from being hurt in this way in the future.

The reduction of deaths caused by fires has been another Commission priority. First and foremost, we believe that smoke detectors are the single most important life saving appliance any home can have. In order to help achieve our goal of having a smoke detector in every home, we worked extensively in 1983 with community and private groups which subsequently distributed 1,179,926 smoke detectors to those who might not otherwise be able to afford them. In addition, through 1,589 community programs and 26 State programs, the Commission alerted Americans to the need for purchasing, installing properly, and maintaining smoke detectors.

To further reduce fire-related deaths--some 1,200 Americans die as a result of fires involving upholstered furniture each year--we are working with the Upholstered Furniture Action Council (UFAC) to further improve the cigarette ignition resistance of upholstered furniture. Effective July 1, 1983, UFAC introduced new requirements covering improved welt cords and interior fabrics. These are expected to provide increased cigarette ignition resistance. The Commission is now evaluating retail furniture to determine the effectiveness of these changes.

These programs, Mr. Chairman, represent just a small sampling of the results of some of our recent efforts. To the Consumer Product Safety Commission, every step toward safer products and consumer awareness is important. Each figure in our statistics represents a child or adult saved from harm--a home saved from fire or explosion. Our activities to protect people from product-related deaths and accidents will be even more vigorous in FY 1985, with special emphasis on priority projects.

Priority Projects

The selection of priority projects for the upcoming fiscal year has become an important and standard procedure in the preparation of the Commission's budget. Special emphasis and full funding is given to those projects which the Commission determines pose the greatest safety risk to the American consumer. The Commission has chosen the following nine priorities to focus on in FY 1985:

Chlorocarbons:

Consumer are widely exposed to two chemicals: perchloroethylene--used in dry cleaning--and dichloromethane--used as a paint remover and solvent. Bioassays of these two chemicals are scheduled to be completed during FY 1984 and the Commission will evaluate these, as well as other studies, to determine the cancer risk (if any) that they may pose. Appropriate remedial strategies will be pursued during FY 1985.

Electrocution Hazards:

Six hundred consumers are electrocuted each year by electric products. During FY 1985 the Commission will attempt to reduce electrocutions by working to improve the voluntary standard for hair dryers, pursuing the incorporation of miniaturized ground fault circuit interrupters in certain appliances and attempting to change the National Electrical Code to require ground fault protection in high risk areas of the home.

Fire Toxicity:

About 5,000 people died in residential fires in 1982, and many thousands more were injured. During the past few years, we have also witnessed a number of instances where a large number of people died in a single fire. More than one-half of the people who died did not die from exposure to flames or high temperatures--they died from exposure to the toxic products of combustion--smoke, carbon monoxide, hydrogen cyanide and other toxic gases.

We have initiated a priority project on fire combustion toxicity to address these tragic deaths. That effort supplements our ongoing efforts in the fire and burn area which focus on those interventions that fire experts think can be effective in reducing fire deaths and injuries, such as: (1) breaking the ignition chain; (2) prompt detection; (3) alerting persons at risk; and (4) limiting fire growth by automatic suppression. We hope to do more!

Our new program on combustion toxicity is, in part, aimed at identifying the products of combustion which cause fire deaths and determining the materials in consumer products that generate highly toxic gases when they burn. As part of this effort, we are working with other Federal agencies that have experience in this area, such as the National Aeronautics and Space Administration, the Federal Aviation Administration, the National Bureau of Standards, the Federal Emergency Management Agency, and others, to identify how we can transfer their knowledge, and the technologies that they have developed, to the consumer product sector.

We also plan to work very closely with researchers in the academic community, with industry, and with State and local governments.

The addition of this priority project on combustion toxicity will, I believe, add an extra measure of protection to our other efforts to reduce the terrible toll of death and injury from fires in this country.

Gas Heating Systems:

Approximately 290 carbon monoxide poisoning deaths and 23,000 fires are caused each year by gas-fired heating appliances. In FY 1985, efforts will be continued to encourage the development of reliable carbon monoxide and fuel gas detectors to be used on these appliances. We also plan to recommend improvements to the voluntary standard for water heaters to address fire and explosion hazards.

Indoor Air Quality:

The Commission has been active in the field of indoor air quality for many years because many of the sources of indoor air pollutants are products under our jurisdiction. For example, particleboard and plywood used in cabinetry and paneling may emit formaldehyde, inadequately ventilated coal and wood burning stoves can release carbon monoxide and other pollutants into the air, and unvented gas heaters can contribute to high levels of carbon monoxide and nitrogen dioxide in the home. These pollutants can contribute to respiratory disease and lung dysfunction in children, increase the problems and discomforts of angina patients, and generally adversely affect the health of consumers. People who are troubled by allergies, or who have bronchitis, asthma or emphysema, may be particularly affected. Several hundred billion dollars have been spent to lessen the impact of outdoor air pollution on human health and the environment. However, levels of many pollutants have been found to be generally higher indoors, and Americans spend over 90 percent of their time indoors. At CPSC we are working jointly with industry leaders to improve the quality of indoor air. It is a priority for CPSC, and clearly deserves to be a national goal!

Nursery Equipment:

From 1973 to 1981, the Commission received reports of approximately 1,084 deaths associated with products such as cribs, strollers, baby gates, and high chairs. In FY 1985, a program will be conducted to (1) notify consumers of the hazards of equipment that do not meet mandatory and voluntary standards; (2) advise them on ways to improve the safety of older equipment; and (3) give guidance in the selection of new products. We will also initiate efforts to reach all persons who care for infants to make them aware of the potential hazards related to nursery equipment and supplies.

Portable Electric Heaters:

Fire is the primary hazard associated with this type of heater which attributed to 130 deaths, 370 injuries and 3,300 fires during 1982. The agency will work with industry to upgrade the voluntary standard by requiring additional thermal controls to improve the safety of this product during FY 1985.

Riding Mowers:

Each year there are approximately 100 deaths associated with riding mowers and garden tractors. Accidents occur primarily from mower tipover or from the person falling under or being run over by the mower. In FY 1985, the Commission will work together with the industry to upgrade the voluntary standard with new stability and blade contact criteria.

Safety for the Older Consumer:

The goal of this program is to raise the awareness of consumers over age 65 to the potential product hazards of their living environment and to reduce severe injuries to this particularly vulnerable group of Americans from burns, scalds, falls and chemical poisoning. There is a great deal known about the older consumer--their health, or lack of it; their slower reflexes; their loss of vision and economic situation. In FY 1985, we will be working with State and local agencies and other groups, such as the American Association of Retired Persons, who normally work with the elderly and know their needs. We will develop literature and conduct community programs for a home safety audit to assist older consumers in minimizing safety hazards in their home. This program will then enable us to measure increased knowledge in product safety.

In conclusion, Mr. Chairman, this agency, which is only 10 years old, has accomplished much in product safety during its brief history. I am pleased to also point out that the Commission is today achieving the solid results of reduced injuries and deaths from consumer products in a growing atmosphere of cooperation between consumers, industry and government. You may be sure that the Commission stands four-square behind the mandate that Congress has assigned, and that all of the tools available will be used to protect the consumer from unreasonable risks in the marketplace.

We are always cognizant of the need to use our appropriated funds effectively, but also prudently.

Again, it is a pleasure for us to be here, and we will be glad to respond to your questions.

PERSONAL STATEMENT OF CHAIRMAN NANCY HARVEY STEORTS

Mr. Chairman and Members of the Subcommittee, I am pleased to be given this opportunity to individually present a statement regarding the current State of the Consumer Product Safety Commission from my perspective as Chairman.

In order to put the 1985 budget in perspective, I would like you to better understand the accomplishments of this Commission and I would like to bring to your attention some of the significant ways in which this agency has changed over the past year. It was a year marked by many innovations.

To begin, I would like to note that during this year the Consumer Product Safety Commission celebrated its Tenth Anniversary.

A Tenth Anniversary is a turning point. It is a time of reflection. It is a time to look back and analyze achievements. It is also a time to look back and see what was not accomplished and to make improvements. Finally it is a time to establish the format for the future.

One activity held during National Product Safety Week was a special Commission meeting which highlighted the voluntary and cooperative efforts of this agency with industry and consumers. It is important that these efforts are recognized. I feel that the secret success of this agency is cooperation. A cooperative, voluntary partnership among this agency, the consumer and industry is truly working. Here are some examples.

Working Together

The Consumer Product Safety Commission is woking with industry instead of against it.

CPSC is placing an emphasis on and is giving balanced-and-fair consideration to voluntary programs before pursuing any regulatory actions. It is now getting manufacturers involved at the earliest possible stages of the decision making process, and, is working closely with industry to improve the effectiveness of recall notices and corrective action programs. Herein lie many success stories.

You have already heard about the Commission's work with the Upholstered Furniture Action Council and the manufacturers of toy chests. Here are two others.

- The Commission is working with chain saw manufacturers to reduce, among other hazards, the danger of "kickback" which has killed and maimed many users of this useful product. Particularly successful was the campaign to sell the safety features of the chain saws to consumers and to get saws fitted or retrofitted with safer low, energy replacement chains.

- The Commission worked with the gas industry on the development and implementation of improved lighting/relighting instructions for water heaters and central furnaces.

Opening Up The Commission

The Consumer Product Safety Commission has learned to listen to both the needs of the consumer and the needs of industry. This has been achieved by opening up the Commission and allowing the opinions of outsiders to be heard. For example:

- The Commission amended its meeting rules to allow members of the public to participate in Commission meetings on occasion. This will have the benefit of letting the Commissioners hear information other than that prepared by the staff. This means that concerned citizens and representatives of industry can be heard in a public forum.

- The Commission held its first public meeting on priority setting in order to gain the perspective of such groups as the Consumer Federation of America, the National Retail Merchants' Association, the American Association of Retired Persons and the National Association of Consumer Agency Administrators.

- The Commission on a regular basis is setting up meetings with consumers and industry. These meetings provide a unique opportunity for affected parties to exchange their views. I have held Chairman's meetings with Embassy personnel, trade associations, consumer groups, and other Federal, State and local government representatives.

Improving Communications

The Consumer Product Safety Commission has attempted to improve communications by developing new ways to share information with industry and consumers, as well as with other agencies.

One program, for the first time, shares with industry information that we have on product safety problems learned from consumer complaints. As I see it, this program will serve as an early warning system for the producer of a product.

Additionally, the Commission issued an interpretation of the way in which it can responsibly release information to the public. In December the agency voted to adopt a new rule which outlines its 6b procedures.

Another way the Commission has found to improve communications is to hold conferences on significant subjects. Last year the Commission held one on product safety for industry and consumers. This year there will be a National Product Safety Conference for State and local officials.

Education and Information

The Consumer Product Safety Commission has implemented highly successful information programs.

These programs are designed to make the consumer aware of hazards, to teach consumers how to use products safely and, in many cases, to get consumers to modify their behavior.

The best example from this past year was our outstanding smoke detector campaign. In this campaign the Commission alerted Americans to the need for purchasing, installing properly and maintaining smoke detectors. It also, through community and private groups distributed over a million smoke detectors to those who couldn't otherwise afford them.

Another one, that will begin tomorrow, will focus on electrical safety. And, we are beginning a pilot project on safety for older consumers.

Fire Toxicity

Speaking of smoke detectors reminds me that I would like to call particular attention to the Commission's priority project on fire toxicity, which is also a personal priority of mine. The importance of this project can not be overestimated. Each year in fires, more people die of inhalation of toxic gases than from the flame itself, yet never before has there been a coordinated effort to find solutions to the problem.

Just this past week the Consumer Product Safety Commission held an interagency meeting to bring together the most knowledgeable minds from within government to discuss current projects, exchange information and project future goals. Representatives from the National Aeronautics and Space Administration, the Federal Aviation Administration, the Federal Emergency Management Agency, and the U.S. Navy and Air Force were all present. In spearheading this effort we plan to coordinate efforts of a variety of Federal, State and local organizations now working in the field.

Further, it is planned as part of this project the Commission will identify consumer products which emit particularly toxic combustion, will review fire toxicity literature and will eventually develop test procedures which will reliably predict fire toxicity hazards to humans.

Mr. Chairman and Members of the Subcommittee, I believe that these few examples will serve to illustrate the viability of the Consumer Product Safety Commission.

The Consumer Product Safety Commission is respected and supported by both industry and the consumer. We are achieving our mission and doing it with consideration for all parties involved.

This marks an important milestone. Further, it is a milestone that will serve as a springboard for success and achievement for the next decade.

INTRODUCTION OF COMMISSIONERS

Senator ABDNOR. I see you have three of the Commissioners with you.

Chairman STEORTS. Yes. May I introduce the other Commissioners, please?

Senator ABDNOR. Please do.

Chairman STEORTS. Our Vice Chairman, Commissioner Terrence Scanlon; Commissioner Stuart M. Statler; and Commissioner Saundra Brown Armstrong.

Senator ABDNOR. If each of you would make a brief statement, I also assure you that your whole statement will be made a part of the record.

STATEMENT OF COMMISSIONER TERRENCE M. SCANLON

Commissioner SCANLON. Thank you, Senator Abdnor.

I would like to submit my complete statement as you suggested for the record. I will just highlight three or four items of concern that is part of that statement.

One, I support wholeheartedly the Chairman's request for a $35 million budget; I believe we can do the things outlined in that budget for that amount of money.

STATE AND LOCAL PROGRAM

I believe an area that could be strengthened is our State and local contract program. I think it is probably the most cost effective one in the Commission today, although the funding at the current time is only $100,000. I think this fits into the President's planned program of having more government at the local and State levels. I believe that we can leverage our money much better when we are working in conjunction with State and local groups.

COMMISSION STAFF

I believe that the Commission should correct the imbalance on staffing between the Washington office and our field structure. It is currently about 3 to 1. I believe a better balance would be about 50–50 where we would have more staff in our field offices.

Senator ABDNOR. What are you suggesting, additional staff?

Commissioner SCANLON. No, I am not suggesting additional staff. I think a plan should be adopted whereby as vacancies occur in the Washington office that those slots would then be allocated to the field. I would not look for a RIF, I have been part of RIF's in the past as a career government employee; I think they hurt morale; they are also very costly.

Senator ABDNOR. Are you in a position to send people from Washington to the field if you want to?

Commissioner SCANLON. If the Commission concurred, yes.

Senator ABDNOR. All right.

VOLUNTARY STANDARD

Commissioner Scanlon. Another area that I think we are beginning to improve upon is the voluntary standard activity of the Commission. I think we have to allocate additional resources and personnel to voluntary standard development. Again I think this is a cost-effective approach and I believe that we can effect safety in greater numbers by working with voluntary standards groups throughout the country and assisting them with their development.

I would be happy to answer any questions that you may have.

Senator Abdnor. Fine. We will come back and you will have an opportunity for whoever wants to answer questions here.

Commissioner Scanlon. Thank you.

[The statement of Commissioner Terrence M. Scanlon follows:]

STATEMENT OF VICE CHAIRMAN TERRENCE M. SCANLON

Mr. Chairman and Members of the Subcommittee, I welcome the opportunity to address the Subcommittee with regard to the Consumer Product Safety Commission's FY 1985 appropriation. Having served on the Commission for less than a full year, I will limit myself to some specific areas of special concern to me as a relatively new Commissioner. I would like to preface my remarks with the fact that I support the Commission's request for a $35,000,000 budget.

Since joining the CPSC, I have stressed a few themes that bear directly on the CPSC's effective operation and expenditure of taxpayer dollars. In this day of reduced funding, we in the public sector have a special obligation to give taxpayers the most for their money. One area at CPSC that can fulfill that theme is with State and local government contract grants. From FY 1974 through FY 1982, the Commission allocated a total of $3,600,000 to grants to carry out cooperative consumer protection programs at the State and local level. Unfortunately, the effort was discontinued in FY 1983. The contracts provided funding for enforcement inspections, recall checks, sample collections, compliance inspections and information and education programs. All activity was carried out at the local level. A CPSC internal evaluation in February 1981 characterized this effort as "...very cost-effective in that the cost for CPSC to perform the same compliance and enforcement activities now being executed by the States, would probably be more than twice as much." 1/

In the marketplace the size of the United States, and with the CPSC's jurisdiction of some 15,000 consumer products and a limited enforcement staff of 88 in the field, it is self-evident that we must leverage our resources if we are to fulfill the mandate of protecting consumers from the unreasonable risk of injury from consumer products.

Who is more knowledgeable of the local marketplace, safety factors and conditions? A local consumer protection or related governmental agency is for sure. We in Washington, or in CPSC Regional Offices or Resident Posts, could never hope to cover this ever-growing and burgeoning technologically advanced marketplace alone. We need to make the State and local contract program a priority project for FY 1985 if we are to be effective. For FY 1984, only $100,000, a very small amount, is allocated. This is not nearly enough. We should make this a priority item for full funding and then evaluate the results. If performance merits additional resources, I would suggest that the Commission increase monies for this program during FY 1985.

I have spoken with State and local officials across the country on this issue. They are not only enthusiastic about such cooperative efforts and programs, but view it as real evidence of the Federal government's commitment to a cooperative "two-way street" designed to bring about consumer safety for all Americans.

1/ See U.S. Consumer Product Safety Commission, Office of Budget, Program Planning and Evaluation, "Evaluation of State Contract Program," February 1981, p. 2.

President Reagan said it best last May when he was asked a question at a press conference regarding consumer safety. "...A lot of things are suggested for the Federal government, I want to make sure that they aren't the legitimate function of another level of government, and that they can't be better done by another level of government."

We here at the CPSC need to support the local government level efforts at consumer product safety, and do so with the proper allocation of resources so that these effective local agencies can assist us in performing the mutually important task of protecting all our citizens from injury.

In addition to the State and local contract program improvement, the Commission needs to increase its regional staff. This is necessary in order to have more effective enforcement and oversight of the vast U.S. marketplace for consumer product safety throughout the country. Today there are 158 field people with only 88 of those devoted to enforcement activities versus 437 people in headquarters, a ratio of more than 3 to 1. Steps should be taken to begin to correct this imbalance.

Hopefully we will soon begin to implement, with the assignment of resources and personnel, the needed voluntary standards coordination, development and support mandated by the 1981 amendments to our authorizing legislation. This is an excellent cost-effective method for leveraging our limited resources since the voluntary standards process is private sector resource intensive. I hope to see more allocation of resources in this area in the future as well. This is especially so in light of the 1981 amendments to our authorizing legislation which placed greater reliance than ever on voluntary standards.

Granted, some tough choices have had to be made in the last several years with budget cuts at not only this Commission, but many other departments and agencies as well. Today, I believe the CPSC is more effective, albeit a leaner and trimmer agency.

The cuts have forced us to target our priorities, marshall our resources, and effectively use those resources to maximize consumer protection. We must leverage resources with State and local governments, as well as increase our overall voluntary standards efforts. I believe that these suggestions with regard to State and local contract programs, the allocation of field to headquarters personnel, and finally voluntary standards will serve to make the CPSC more efficient in addressing the enormous task of protecting consumers from unreasonable risks of injury. These changes and the $35,000,000 budget can, I believe, do the job.

I am ready to answer any questions that members of the Subcommittee may have. Thank you.

STATEMENT OF COMMISSIONER STUART STATLER

Senator ABDNOR. Mr. Statler, do you have a comment?

Commissioner STATLER. Yes. I am the iconoclast, or Cassandra, in this group because basically I disagree with the position of my colleagues that $35 million or really even $37 million is enough for this agency. I say this not out of any sense of animosity but from 4½ years of service to this agency where I have seen over the last several years, an unabated diminution in the resources allocated to our efforts. This really undermines our ability to protect the American public from death and serious and grievous injury in the way that our mandate calls for.

RESOURCE REDUCTION

Out of conscience and based on my oath of office, I don't believe that I can come before you and say that $35 million or even $37 million is sufficient to be able to handle the mandate which Congress has given us. To borrow a phrase from President Reagan's State of the Union address, we are back—CPSC is back—but we are not standing all that tall these days because we have been seriously undercut, seriously hurt as a watchdog regulatory agency in terms of our ability to perform that mandate.

Now, just by way of comparison, in our 10-year history based on the $35 million submission for next year, our budget in terms of 1974 dollars is down by 54 percent. By way of comparison, over that same decade, OSHA is up by 29 percent, EPA is up by 23 percent, FDA is up by 1 percent, FTC decreased by 16 percent, and NHTSA, the National Highway Traffic Safety Administration, is down 34 percent.

The major cut has occurred over the last 3 years when we suffered a 33-percent, fully a one-third cut, in our staff and in terms of moving from a $43 million budget to $32 million in 1981, we suffered a 30-percent cut at that time. Now in terms of dollars that are not adjusted to inflation, it would be 17 percent. Out of this, I come to the conclusion that through this decade of budgets that have been eroded by inflation and through the broad cuts that I have talked about, notwithstanding a very highly talented and energetic staff who wants to do more, we simply can't. We are a wounded agency. We can no longer monitor all of today's marketplace; indeed, we are barely touching on the risks of tomorrow which we know about and that we simply can't do enough to handle the risks of today with this kind of budget.

Basically, the contract moneys we have simply permit us to fund the priority projects that we have set forth and very little else, even though we know there are major problems associated with microcircuitry, automatic coffeemakers, circuit breakers where we know there are problems, and exploding gas valves. We simply can't do the kind of preventive work that the Congress intended when it set this agency up in the first place.

NEED FOR ADEQUATE FUNDS

In establishing CPSC, Congress intended this agency would be adequately funded so as to prevent, I repeat, prevent, needless suffering and not simply respond to it. We have succeeded in many instances in doing that in the past, but now in addressing simply the hazards of the moment we have literally mortgaged our future. We can't address hazards that we know are out there that need to be addressed, and if we don't, we are going to find ourselves in the midst of a calamity with the public clamoring, "Why didn't you do more? We thought that the Federal Government was protecting us." Our only response can be that we simply didn't have the funds.

My point is that this kind of excessive cost cutting where health and safety is at stake is not only perilous to the well-being of the Nation, but it is extremely short sighted. Preventing tragedies in the first place is a whole lot cheaper for government and for industry than paying for those tragedies after the body count rises. That is a mistaken orientation and that is not what Congress had in mind.

To me, this kind of budget cutting is not simply sacrifice in the interest of budget deficits but it is really more on the order of wholesale slaughter. I think back a few years ago to the very popular song, "Blowing in the Wind," which asks the question, "How many deaths does it take before too many people have died?" That is really what we are confronted with right now. It is a situation where penny-pinching in the area of safety really, in the end, costs the Nation more in terms of dollars and individuals if it is going to mean the loss of lives of family, friends, and neighbors when the public thinks we are adequately protecting.

Senator ABDNOR. Thank you, Mr. Statler.

[The statement of Commissioner Stuart Statler follows:]

STATEMENT OF COMMISSIONER STUART M. STATLER

The Consumer Product Safety Commission has endured sizeable budget and personnel cutbacks over the past several years. I believe that this unabated diminution of agency resources undermines our ability to carry out Congress' charge to the CPSC to effectively protect the American public from death and grievous injury from unreasonably dangerous consumer products. To highlight this crisis, in signing the Commission's FY 1985 revised budget request to the Congress, I indicated that I preferred the Commission's previous September 1983 submittal for FY 1985 in the amount of $37,000,000 and 620 full-time equivalents (FTE's). I'd like now to explain my reasons.

A review of the actual funding for the major Federal health and safety agencies over the last decade reveals that the CPSC has sustained proportionately greater cuts in resources than other such agencies. The following chart, based on data furnished by the named agencies, makes this point all too clearly:

Agency	FY 1974 Funds	FY 1984 Funds	FY 1984 Funds Converted to FY 1974 Dollars (Adjusting for Inflation)	Increase (or Decrease)
OSHA	$ 70,408,000	$ 212,560,000	$ 90,447,000	+29%
EPA	$528,000,000	$1,524,000,000	$648,483,000	+23%
FDA	$160,590,000	$ 382,574,000	$162,791,000	+ 1%
FTC	$ 32,334,000	$ 63,500,000	$ 27,020,000	(-16%)
NHTSA	$142,715,000	$ 220,950,000	$ 94,017,000	(-34%)
CPSC	$ 30,900,000	$ 35,000,000	$ 14,893,000	(-52%)

Looking at just the last four years, in FY 1981, CPSC worked with a budget of $42,140,000 and 889 FTE's. In FY 1984, the agency is operating with levels of $35,000,000 and 595 FTE's--reductions of 17 percent and 33 percent respectively. For FY 1985, under the Office of Management and Budget's (OMB) mark, our budget would hold at $35,000,000 and staff would be further cut to 587 FTE's. Calculated in 1974 dollars, the Commission's current FY 1985 request is equivalent to only $14,198,000, a reduction of fully 54 percent in real terms. Even the Commission's well-considered September request of $37,000,000 is modest by these standards.

In fact, to comport with OMB's mark for FY 1985 meant skewing the already austere resource allocations detailed in our September budget submission. With few exceptions, contract monies for all hazard projects--save the agency's priority projects for FY 1985--are now scrapped. Staffing is also slashed. Fewer people will inevitably mean delays and deficiencies in carrying out our Congressional mandate, including further cutbacks on investigations into potential hazards and into recalls of substantial hazards under section 15(b) of the Consumer Product Safety Act. Also compromised is our ability to protect particularly vulnerable populations--for example, children and the elderly--who may be unable to appreciate or respond to product hazards.

Mortgaging the Future

For this agency to operate with woefully inadequate resources --be it $35,000,000 or $37,000,000--is sheer folly. To do so undermines the vital mandate which Congress first approved in 1972, and has reiterated repeatedly over the last decade, to protect the American public from unreasonable risk of injury.

There is an awesome array of product defects which victimize consumers through complex and often hidden ways. A few examples highlight the kinds of risks our budget at either figure forces us to virtually ignore in order to minister to the hazards that are immediately upon us:

(1) First, the emergence of microcircuitry in consumer products. The Commission has eliminated funding for a project designed to head off likely risks from what amounts to nothing less than the most significant development in consumer products in this decade. A series of studies was planned to examine the various uses of microcircuitry and to evaluate its risks. New solid state devices are now showing up in a broad range of consumer products from washers and dryers to crockpots and color TV's. Microcircuitry is replacing electrical and mechanical components traditionally used for functions which tell household appliances when to start and stop, how fast to run and what temperature to run at. Use of these devices in consumer products expands with each passing day because they can handle more tasks more quickly and with less energy than their predecessors.

Before this technology becomes entrenched, however, the Commission has a unique opportunity to help assess and, if necessary, correct potential safety problems--prospectively. We already know that pre-market microchip testing by chip producers doesn't focus on the suitability of a specific chip design used in consumer products and subjected in homes to such environmental stresses as heat, humidity, line surges, vibration, static electricity, dust, grime and the like. Misapplied microcircuitry may well threaten lives when chips serve a critical safety function in an appliance. Were a coffeemaker to ignite because its timing element is exposed to moisture, or an electric blanket overheat because its temperature control fails, family members could be put in very real danger.

Lack of funding, however, means the Commission now sits on the sidelines. This agency will be unable to lend its technical assistance either to the semiconductor industry or to appliance manufacturers so as to design-out potential failure modes and thereby help ensure reliable and safe operation of everyday products.

(ii) Second, over the past few years the Commission has become increasingly alarmed about explosion, devastation and death from defective gas combination control valves used with heating appliances and water heaters fueled by LP gas especially, and by natural gas. These valves serve the dual purpose of regulating the gas supplied to the appliance and shutting off the gas supply when the pilot goes out. But if the valve fails, gas may leak and accumulate in a room. LP and natural gas are both susceptible to any ignition source, such as an electrical spark or matches. The briefest exposure to an ignition source can touch off an explosion or fire, causing extensive property damage as well as serious personal injury and death.

But because CPSC is hamstrung by inadequate resources, the Commission has not been able to consider methods by which to structure a generic, across-the-board resolution of this problem for the future. Instead, the CPSC has responded--after the fact and in piecemeal fashion--by initiating recalls of 1,300,000 valves for LP gas use made by three of the major manufacturers. Another 12 million values of like design, connected up to natural gas, remain suspect. But after the fact is too late when 58 lives already have been lost in explosions and fires. Who knows when the next death will occur? We need to prevent such incidents by encouraging safer valve designs for the future. Otherwise, 5 or 10 years down the road, we'll find ourselves in precisely the same predicament we're in today, trying to obtain recalls and costly corrective actions for valves with defective designs that never should have been marketed in the first place.

(iii) Third, consider the fire threat posed by automatic drip-type coffeemakers. Over the past several years, the Commission has mounted eight separate recalls involving 3.8 million coffeepots produced by a variety of well-known manufacturers. Malfunctioning of this ubiquitous appliance presents an enormous problem. Currently, an estimated 46 million units are in use in American households. In 1982 alone, they were responsible for nearly 3,000 residential fires, approximately 125 injuries, 7 deaths, and $8,500,000 in property damage. Yet budget constraints on CPSC preclude any thoughts of a comprehensive approach to this matter. Instead, the Commission funnels its safety concerns about these coffeepots to the industry and to Underwriters' Laboratories in the hope of encouraging a voluntary upgrading of the standard. We also monitor recalls as needed. Progress is snail-paced at best.

(iv) Fourth, the Commission's hands are tied in dealing with the increased possibility of fire in nearly 2 million homes with "old technology" aluminum wiring systems built between 1965 and 1973. Such homes are said to be 55 times more likely to be victimized by fire than homes with traditional copper wiring. Using detailed evidence demonstrating the tendency of this wiring to overheat, causing fires and deaths, the Commission brought suit in 1977 against 26 manufacturers. In 1982, the D.C. Court of Appeals dismissed the suit, concluding that residential wiring systems were not "consumer products" as defined under the Consumer Product Safety Act. Since that time, we've provided warnings about the risks associated with aluminum wiring, but little else. Yet our research shows that each of the currently available repairs to correct this problem has serious shortcomings. Adequate staffing and funding dedicated to pointing the way to a new "fix" could produce a reasonable alternative to today's costly and less than satisfactory alternatives. But there is simply no ongoing agency work and no contracts in the offing at current budget levels.

(v) Fifth, in 1983, the Commission reluctantly closed a two-year investigation into the potential ignition hazard presented by some 25 million residential circuit breakers. These breakers, produced by a single company, failed to meet specific Underwriters' Laboratories standards aimed at ensuring that a breaker will cut off when a circuit is overloaded. Staff estimated a price tag of several million dollars to gather data needed to assess whether these breakers posed a substantial hazard risk. Our tight budget, the need to address other pressing product defects, and the uncertainty of results from such comprehensive inquiry, led to an untimely halt to this effort.

When the Commission closed its investigation, we stressed the need to continue analyzing technical problems associated with circuit breakers, generally. This is no longer being done. Except for some barebones engineering work in FY 1984, further technical work on overcurrent protection has been shelved. We're halting efforts, previously planned, to assess the efficacy of breakers already installed in homes. As a result, we will default on plans to share test results with Underwriters' Laboratories and the industry. This project is simply stopped dead in its tracks.

Let's be clear. These are all worthwhile projects that touch on the safety of every American household that never, or barely would have been addressed even with a $37,000,000 budget. Why? Because through a decade of budgets constantly eroded by inflation, through a whopping 30 percent cut from approximately $43,000,000 to $32,000,000 in one fell swoop just 2 years ago, and through the amputation of fully one-third of the agency's highly talented staff with yearly incisions continuing, CPSC is a wounded agency. We can no longer monitor all of today's marketplace, and we're hardly touching on the risks of tomorrow which we can anticipate, which we can foresee, but which we really can't do too much about. Current levels of funding leave us handcuffed. We've more or less mortgaged our future in order to deal with the hazards that are before us here and now. I think the American people, and probably you in Congress, expect us to do both. We simply can't at these budget and staffing levels. But what we do, we'll continue to do well.

What the Public Loses With CPSC Limited to $35 Million vs. $37 Million

Let me now turn to the practical fallout of OMB designating an FY 1985 mark of $35,000,000 instead of the Commission's September 1983 request for $37,000,000, and the attendant reduction of full-time staff from 620 to 587.

Revising our FY 1985 budget to meet OMB's mark meant sacrificing several key safety initiatives. Casualties from this budget crunch abound. Let me share with you a few examples:

- Emerging dangers, and newly-identified hazards, are a focus of the Commission. On a daily basis, the Commission is engaged in any number of recalls and corrective actions ranging from roto-tillers that get stuck in reverse and mangle feet and legs; to snowmobiles with metal tracks that dangerously fly off in all directions; to metal clamp lamps that become electrified; to mitre saws whose blades disengage while running; to cribs with headboard cut-outs which choke off infants, and literally thousands of other examples. Dealing with these matters requires a rapid reaction through a multi-disciplinary task force bringing such diverse disciplines as engineering, epidemiology, economics, human factors and enforcement into play. This is done through CPSC's Product Safety Assessment team. For FY 1985, we originally allocated substantial funds to support this function since it is the cornerstone of our section 15 recall activity. But under the revised January budget of $35,000,000, resources are no longer adequate to guarantee the quick turn-arounds necessary. Weeks or months will be lost to delay, when a few hours or a few days can make the difference between the prevention of a tragedy, or its occurrence.

- Because of increased popularity due to high energy costs, unvented fuel-fired appliances, such as kerosene heaters and unvented gas space heaters, are pumping more toxic gases into homes. Nitrogen dioxide and sulfur dioxide can seriously impair human respiratory function. Under the original 1985 budget submission, CPSC planned to work with EPA to examine the threat to sensitive populations (asthmatics and others with respiratory diseases). This study would be highly useful to several agencies in assessing the deleterious impact of decaying indoor air quality on the health of Americans. But under the revised January budget submission of $35,000,000, a major chunk of this effort went by the boards, thereby delaying a coordinated, national assessment of the looming indoor air pollution problem.

- Similarly, wood and coal burning heaters vaulted to popularity in the late 1970's as our nation adapted to the energy crunch. Fires involving these products more than doubled during the five-year period from 1978-1982, from 66,000 to 137,000. A prime cause is creosote, a black tar-like substance, which accumulates in these devices (particularly those that are "air-tight"), and burns readily. CPSC had planned extensive research to develop methods to prevent creosote build-up and thus block the fire risk. But under the revised January FY 1984 budget request, we can't do that -- the research has been axed.

- Corrosion and creosote build-up in metal factory-built chimneys both have been identified as common causes of nearly 22,000 house fires annually. Degradation of the chimney liner from these sources causes it to buckle and collapse. The fire then spreads. CPSC had planned to exhaustively test and analyze this risk in order to promptly develop a meaningful chimney standard. But under the revised January 1984 budget submission, we can't do this as intended because contract funds are halved.

- Preoccupation with pressing needs over the last several years, has led to an accumulation of obsolete and in some cases virtually inoperative equipment in CPSC labs to evaluate risks posed by consumer products. We had planned in 1985 to replace much of this equipment so as to provide high-quality technical evaluations of product hazards. This would be in the interest of consumers and industry alike. But under the revised January 1984 budget request, we can't do this. Seventy percent of the funds to purchase and install improved engineering instrumentation is deep-sixed. All of the monies to replace equipment in our Health Sciences lab is out the window.

- Consider: In Pritchard, Alabama, 7 children ranging in age from 3 months to 17 years died while sleeping in an apartment with a vented heater the landlord failed to vent. In Barnwell, South Carolina, 5 teenagers died of carbon monoxide poisoning at a clubhouse which had inadequately vented gas room heaters. In Houston, Texas, smoke from a fire in the Westchase Hilton snuffed out 12 lives...

  CPSC staff in five regional offices and 27 resident posts follow up on these and so many other tragedies that become almost a daily occurrence. They conduct injury investigations to determine the nature and extent of involvement of the product. They collect samples off store shelves. They check to make sure that known hazards are removed from retail outlets. They monitor manufacturing practices. CPSC had planned a minimal level of field compliance checks for FY 1985, with emphasis on specific hazards subject to recall. But under the January 1984 budget submission, field staff support is slashed another 9 positions to 159 overall. This is down a whopping 124 positions, from 283, just three years ago in 1981. Some tragedies just won't get investigated in the future. Many more will be "investigated" by telephone rather than on-site visits. Obviously, the quality of analysis will suffer. It already has.

- Highly toxic chemicals--lye, caustic detergents and cleansers, eye irritants, and the like--all found in common household products are subject to safety regulations enforced by the CPSC. We follow up leads on possible violations through routine marketplace checks, as well as by trade and consumer complaints. We conduct chemical and biological sample analyses of subject products. But under the January 1984 budget submission, we can't do this as planned. Slashes in contracts (down 33 percent) and staffing (down 8 percent) for this effort truncate our poison prevention efforts.

- Each year over 850,000 medically-attended baseball and football injuries involve children in the 5-14 age bracket. CPSC had planned analyses aimed at reducing head, neck and spine injuries from football play. But under the revised January 1984 budget submission, we can't do this. We're forced to punt.

- While the record of injuries from toys is improving, still in 1982, youngsters suffered 123,000 medically-attended injuries--mostly from sharp edges or points, protrusions, elastic strings, small parts, toxic chemicals, flammability, electric shock or other hazards. CPSC had planned to closely monitor the marketplace to check for defective designs and otherwise unsafe toys. But under the January 1984 submission, staffing to check industry compliance with toy safety standards is cut; contract testing for lead-in-paint in toys is out altogether. As a reminder, last year we caught arsenic-preserved chicks from the Orient in time to prevent any lethal ingestions by youngsters. Next year, who knows?

- Although the toy industry deserves considerable credit for reducing hazardous designs, its age labelling practices for children's products are next to worthless for the most part. Seldom do manufacturers attempt to explain that the labelling may be safety-related and meant to keep small parts, or sharp points and edges, and the like away from toddlers who simply can't appreciate the risk or respond to it. CPSC had planned to develop labelling guidelines to assist industry and parents. But under the revised January 1984 budget request, we can't do this. Contract support is terminated, and the project itself ceases before it can get off the ground. It's a cinch the toy industry will make very little headway without active involvement by CPSC.

- Over 570,000 bicycle-related injuries were treated in hospital emergency rooms in 1982. Reports from consumers of cracking bicycle frames are on the rise. CPSC felt that the high number of serious injuries called for a hard look at the current bike safety standard to determine whether and to what degree upgrading was necessary. But under the revised January 1984 budget submission, we can't do this. The project has dropped out.

Prevent Tragedy Before It Occurs

As previously noted, the impact of slicing CPSC's budget has been compounded by the effects of inflation. We simply don't have needed resources to alleviate, as much as we could, the continuing toll of death and injury inflicted on innocent Americans. When the next tragedy of national import strikes, as it assuredly will, the public will be clamoring for immediate action to correct the hazard...after the fact. It happened before with torch sweaters, TRIS in sleepwear, asbestos in hairdryers, and fires from kerosene heaters, just to cite a few instances.

In establishing the CPSC, Congress intended that this agency would be adequately funded so as to prevent needless suffering, not simply respond to it. We have succeeded in many instances in doing just that, but in so doing--in addressing the hazards of the moment --we've literally mortgaged our future. We have not dealt with a good deal of what's on the horizon in terms of foreseeable risks to the public, some of which I've touched upon. We want to do more. With the exceptional talents of an energetic and enthusiastic staff, we're capable of doing more. But our decimated staffing and resources require us to do less.

Excessive cost-cutting where health and safety is at stake is not only perilous to the well-being of this nation, but also shortsighted. Preventing tragedies in the first place is a whole lot cheaper for government and industry than paying for those tragedies, and first dealing with them, as the body count rises.

In the end, Congress retains the power to determine the final size and shape of our budget and the staffing we'll have to administer it. The latter is at least as important as the former, yet to my knowledge, OMB's personnel ceilings for CPSC have never been addressed by this Committee. These so-called "savings," at such great sacrifice to safety, are ultimately self-defeating for the nation-at-large.

I trust that the facts placed before you by this letter will assist you in carrying out your difficult responsibility. As always, I would, of course, be pleased to meet with you or a member of your staff in order to furnish any further details or clarification of the Commission's overall budget and resource distress.

STATEMENT OF COMMISSIONER ARMSTRONG

Senator ABDNOR. Commissioner Armstrong.

Commissioner ARMSTRONG. Thank you. Good morning.

This will be relatively brief compared to the other comments.

As the newest Commissioner, a new appointee to this Commission, having started my tenure approximately 3 months ago, this, of course, is the first occasion that I have been privileged to join my colleagues in appearing before this subcommittee. It is a pleasure to be here and to meet you.

The Commission's task of establishing the priorities for the Commission for fiscal year 1985 and adapting those priorities to the budget that you have been reviewing had been largely accomplished prior to beginning my tenure. However, I would like to say that I am very enthusiastic and proud to be associated with this Commission and I intend to strive diligently and very hard to implement the activities that this Commission has established as priorities as well as any other congressional directive that we receive.

I support wholeheartedly the budget request of this Commission and I am willing to answer any questions that you may have.

Senator ABDNOR. Thank you very much, Commissioner Armstrong.

[The statement of Commissioner Saundra Brown Armstrong follows:]

STATEMENT OF COMMISSIONER SAUNDRA BROWN ARMSTRONG

Mr. Chairman and members of the subcommittee, it is indeed a pleasure to meet all of you this morning. As a new appointee to the Consumer Product Safety Commission, this is the first occasion I have been privileged to join my colleagues in appearing before this subcommittee. I am both enthusiastic and proud to be involved with the Commission's goal of reducing risks of injury to American consumers, and I intend to diligently strive to achieve this mission.

The Commission's task of determining the agency's priorities for fiscal year 1985 and adapting those priorities to the budget you have been reviewing, was largely accomplished prior to my becoming a member of the Commission. This fact notwithstanding, I intend to work very hard to implement the activities described, as well as to efficiently discharge all congressional directives to the Commission

I believe it somewhat premature in my Commission tenure to definitively identify specific areas of interest or personal priorities which I will eventually target. However, I will venture to state that my legal experiences at the Federal, State, and local levels have given me a special appreciation of the need for Federal cooperation with State and local governments. I am pleased, in this regard, with the Commission's philosophy, as described by the Chairman, of promoting intergovernmental cooperation for the benefit of the health and safety of the American consumer.

Thank you for the opportunity to state my views.

COMMISSION ACCOMPLISHMENTS

Senator ABDNOR. Let me start with Madam Chairman. What has been the one accomplishment of the Commission during your tenure of which you are really most proud?

Chairman STEORTS. That is an interesting question, Mr. Chairman; I am happy to respond to it. It is hard to limit it to just one, but I guess if I were going to pick one I would say that I am most proud of the partnership that we have been able to develop with the industry, the consumer, and the Consumer Product Safety Commission. We are truly working together in an atmosphere of cooperation, rather than in an atmosphere of adversity which existed prior to my coming on board.

I also would like to give you just a few examples of this cooperative attitude and the way it is working.

One, we have had a couple of case studies over the past year, that I think are particularly interesting, with two companies that had some problems. They addressed those problems right up front. One was MacDonalds. MacDonalds was notified last year that there was a potential problem with one of their little play mobile people toy promotions. One consumer in Rochester, N.Y., alerted us to the fact that she felt the little play mobile might not meet our small parts test for a child under 3.

MacDonalds was alerted by our compliance staff that there was an investigation of the problem. They called me at home on Sunday morning to say that whatever the problem was, they would cooperate totally. The next day they worked with our staff and voluntarily recalled 30 million of those playmobile-people toys. It was a voluntary recall, it was cooperative, and it was done in an atmosphere of cooperation.

Another company that I think epitomizes corporate responsibility in the way they worked with the Commission, was Johnson & Johnson. After they had their trouble with the Tylenol being tampered with, they put tamper-resistance packaging on their product. In our investigation in the marketplace, we found that the tamper-resistant packaging was causing a problem with the child-resistant closure. We talked with them directly. They came in to meet with the Commission and the chairman of the board, the president, and 15 other executives worked out a solution that was acceptable to us. It was done in the spirit of cooperation and the problem was solved. They took the product out of the line of distribution, corrected it, and it was done within a very short period of time.

We also have had some very exciting cooperative ventures with the furniture industry, the toy industry, and the chainsaw industry, all done in a positive spirit of cooperation. Outreach, I think, also has been done in the same way. Our electric safety program is being done with 30 industry organizations and the General Federation of Women's Clubs. The success of this program is absolutely astounding. So in a nutshell, the cooperative spirit is working with the Commission, and it is so much easier to achieve results.

Senator ABDNOR. How long have you been doing that cooperative effort? Has that been in the last couple of years?

Chairman STEORTS. Yes. The major emphasis with this cooperative spirit has happened since I have been at the Commission.

Senator ABDNOR. How long have you been there?

Chairman STEORTS. I have been there now about 2½ years.

Senator ABDNOR. I commend you for it. That is the kind of thing that I think we want to see a lot of. I recognize the fact that no one likes to budget. I have to do that as head of another subcommittee that I am chairman of and it is pretty tough. You know, I have Customs. I would love to triple Customs because heroin is a dangerous thing, too. There are a lot of problems in this Nation. You have come up with some new ideas and I commend you for it. Just spending more dollars is great if you've got it. I am pleased to see that when the dollars are tight, you go out and do something innovative and bring in other groups. That is good and I commend you for it.

VIABLE AGENCY

Chairman STEORTS. I think, Mr. Chairman, President Reagan set a goal that we have cutbacks in the budget throughout the Government. I think this agency has taken some necessary cutbacks, but we are now stable and we are viable. Our budget is in a situation where it is at the same level as last year, and I think that by doing more cooperative activities we are going to be in pretty good shape in the future.

Senator ABDNOR. Do you think you can expand on that and do even more with this cooperative effort?

Chairman STEORTS. Absolutely.

Senator ABDNOR. It is amazing how people like you are concerned and interested, and again I think it is wonderful that you do try something new without having to rely upon dollars alone every time.

FISCAL YEAR 1985 PRIORITY PROJECTS

You identified nine priority areas for fiscal year 1985; isn't that right?

Chairman STEORTS. Yes, sir.

Senator ABDNOR. Would you please indicate for each of the nine priorities the amount of money that is being allocated in each area. Would you rather do that for the record or can you do that now?

Chairman STEORTS. I will be glad to just quickly run down the nine.

Chlorocarbons is $422,000; electrocution hazards, $414,000; gas heating systems, $382,000; indoor air quality, $1,130,000; nursery equipment, $343,000; portable electric heaters, $208,000; riding mowers, $109,000; toxicity of combustion products, $674,000; and safety for the elderly consumer, $87,000.

Senator ABDNOR. I am the first to admit we could use more dollars if they were at all available.

As the subcommittee chairman today I am pleased to note that your budget justification this year for each of the priority projects includes a description of the problem, a list of the objectives, project milestones, and a description of measures of effectiveness. We hope you will continue with this format in the future.

Do you have any other information you can provide us with for the record? We are always happy to have it because it makes our work easier and makes for a better relationship between the committee and your Commission.

Chairman STEORTS. We will be glad to do that, Mr. Chairman.

[The information follows:]

FY 1985 PRIORITY PROJECTS

The following information is reproduced from Appendix A of the Commission's FY 1985 Budget Request.

1. CHLOROCARBONS

HAZARD AND INJURY DATA

Dichloromethane (DCM) is widely used as a paint remover and solvent. A 1980 industry study showed that DCM is associated with a significant incidence of salivary gland sarcoma in male rats through the inhalation route. The National Toxicology Program (NTP) has recently completed a two year bioassay in which rats and mice were administered DCM by gavage. The results of the study are currently under review. Another NTP bioassay on DCM by inhalation is underway. The Commission will receive initial information from the study in August 1984; a draft report of the study is expected in October 1984.

U.S. production of dichloromethane exceeded 500 million pounds in 1976. Estimated annual sales of retail-size units of paint remover are 135 million units, having a concentration of DCM ranging from 30 to 90 percent. Tests conducted by the Commission indicate room air levels of 250 ppm to over 2,000 ppm during simulated paint stripping operations. It is also estimated that between 80 million to 440 million aerosol units are produced annually and usually contain from 10 to 20 percent DCM with up to 55 percent DCM used in some aerosol paint formulations.

The National Toxicology Program is currently reviewing the data from a recent gavage bioassay on perchloroethylene (PCE), a chemical widely used in dry cleaning. The results of an in-progress inhalation study are expected to be available in the winter of 1984. In addition, data show that consumers, using coin operated drycleaning machines or doing laundry in facilities where they are located can be exposed to levels of PCE from .040 to 4.9 ppm if the laundromat is well ventilated and 15 ppm if it does not have adequate ventilation.

The Commission does not yet have adequate exposure information, nor is sufficiently detailed information from the animal bioassays currently available, to permit accurate estimations of the number of cancers which might occur from current exposure of consumers to these products. Work to be completed during FY 1984 should allow the staff to provide reasonable estimates of the increased risk of cancer. Data from the inhalation bioassays when it becomes available will be used to increase the predictive accuracy of the risk assessment.

OBJECTIVES

If studies now underway confirm the carcinogenicity of DCM and PCE, the Commission will seek to reduce consumer exposure. The Commission staff will prepare detailed risk assessments to provide for a quantification of the numbers of cancers expected from current consumer exposure. The staff currently anticipates that exposure to DCM could be essentially eliminated through substitution of another solvent. Exposure to PCE could be reduced to at least the lower measured levels (0.04 to 4.9 ppm) by increasing ventilation in the coin-operated establishments. The staff will coordinate with the Environmental Protection Agency on these efforts.

Objectives of this project are:

1. Evaluate the data on the carcinogenicity of PCE and DCM.
2. Evaluate the extent of consumer exposure to DCM and PCE.
3. Determine whether DCM or PCE as used in consumer products present an unreasonable risk to consumers.
4. Develop remedial strategies, if appropriate, for DCM products and for consumer exposure to PCE.

MILESTONES

FY 1984

- Complete in-depth review of toxicity information on PCE. (Objective 1) [1]
- Complete survey of consumer use of DCM/PCE consumer products. (Objective 2)
- Complete testing to determine consumer exposure to DCM/PCE through use of household chemical products. (Objective 2)

FY 1985

- Complete in-depth review of toxicity information, prepare risk assessment and convene Chronic Hazard Advisory Panel on DCM. (Objectives 1 and 3)
- Complete survey of consumer use patterns involving PCE for coin-operated drycleaning establishments. (Objective 2)
- Complete risk assessment and convene Chronic Hazard Advisory Panel on PCE. (Objective 3)
- Complete recommendations for remedial strategies on DCM in products. (Objective 4)
- Complete recommendations for control technologies and remedial steps for PCE. (Objective 4)

FY 1986/1987

- Implement remedial strategies for DCM and PCE, as appropriate. (Objective 4)

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[1] Parenthetical objective number relates milestone to objective.

MEASUREMENT OF EFFECTIVENESS

The risk assessments prepared from the bioassays will provide a quantification of the increased cancer risk to consumers from use of products containing DCM and from consumer exposure to PCE. The reduction in risk from the substitution of other solvents for DCM can be calculated from reduction from the current 135 million units of paint remover and 80 million to 440 million aerosol units now containing DCM.

Reductions in exposure to PCE can be determined either by mathematical modeling from previous measured levels utilizing factors for the increased ventilation, or by repeating an exposure survey.

2. ELECTROCUTION HAZARDS

HAZARD AND INJURY DATA

Each year more than 600 persons are electrocuted in incidents involving products under CPSC jurisdiction. Two-thirds (approximately 400) of these accidents involve products such as power tools, kitchen appliances, house wiring, and personal grooming equipment. A recently completed hazard analysis, for example, shows that 136 electrocutions occurred between 1977 and 1981 involving hand-held hair dryers.

OBJECTIVES

Reduce the number of electrocution deaths in and around the household by:

1. Effecting immediate and long term changes in requirements of the voluntary standard for hair dryers to reduce the electrocution hazard by 30 percent after the effective date of the immersion requirements.

2. Informing consumers of the availability of permanent and portable ground fault circuit interrupters (GFCI's) that can be installed to protect circuits and individual outlets in existing homes. NOTE: A GFCI monitors a circuit for any indication of electrical current flowing through an unintended path to ground (such as through a person's body). The GFCI automatically acts to rapidly open the circuit before hazardous current levels are reached.

3. Proposing changes to the National Electrical Code to require ground fault protection for additional areas of the home.

4. Demonstrating the application of miniaturized GFCI's in certain appliances to encourage manufacturers to utilize them in their products.

MILESTONES

FY 1983

- Underwriters Laboratories (UL) proposed new immersion requirements for hair dryers with an effective date of October 1987. (Objective 1)

FY 1984

- Make recommendations to UL for acceleration of immersion requirement effective date. (Objective 1)
- Make recommendations for short term fixes to reduce the risk of electrocution including improved labeling, addition of polarized plug and consumer information on GFCI's. (Objective 1)
- Encourage consumers to retrofit homes with outlet and branch circuit GFCI's currently available. (Objective 2)
- Conduct consumer awareness program through participation in Electrical Safety Awareness Month. (Objective 2)

FY 1985

- Evaluate new hair dryer designs. (Objective 1)
- Conduct consumer awareness program through participation in Electrical Safety Awareness Month. (Objective 2)
- Conduct consumer survey of GFCI performance experience. (Objective 3)
- Report on sources and location of electrocutions around the home. (Objective 3)
- Complete economic study of industry-market costs of GFCI's. (Objective 3)
- Identify specific appliances for incorporation of ground fault protection. (Objective 4)

FY 1986

- Conduct consumer awareness program through participation in Electrical Safety Awareness Month. (Objective 2)
- Propose changes to the National Electric Code to increase the use of GFCI's. (Objective 3)
- Evaluate standards revisions that require the addition of ground fault protection. (Objective 3)

MEASUREMENT OF EFFECTIVENESS

The measure of effectiveness in reducing electrocution deaths is dependent upon how soon consumers install GFCI's in the circuits in their homes and how quickly manufacturers include miniaturized GFCI's in their appliances. This is difficult to measure at this time.

CPSC can, however, make rough estimates of the effectiveness of the hair dryer standard once the new immersion test requirement becomes effective in 1987. The Commission staff has estimated the expected effectiveness of the standard for electrocution death reduction to be 30 percent. Verification of this estimate can be made using economic and death certificate data.

3. GAS HEATING SYSTEMS

HAZARD AND INJURY DATA

Before 1980 (when wood heating fires increased dramatically), fires in homes equipped with gas-fired heaters accounted for more deaths and injuries than fires in any other kind of heating equipment. Further, mortality data indicated that gas heating systems accounted for the majority of non-fire related carbon monoxide deaths in the home. Preliminary analysis of the hazard data identified two important problems: gas water heater fires and vented gas space heater carbon monoxide poisonings.

Water heaters are the largest single contributor to fire losses associated with gas heating equipment. Gas-fired heating appliances accounted for 23,000 fires, approximately 130 deaths, and 2,470 injuries in 1981; of these totals, 10,000 fires and 20 deaths were associated with water heaters.

About 290 non-fire-related carbon monoxide poisoning deaths are caused by gas-fired home heating equipment each year. The largest single contributor to these deaths is vented gas-fired space heaters, which account for an estimated 130 deaths annually.

OBJECTIVES

1. Reduce the number of carbon monoxide poisonings associated with vented gas-fired room heaters. The reduction will result from a new voluntary standard requirement that all new vented room heaters be equipped with a safety device called a "thermal spill switch" that will shut-off the heater in the event that carbon monoxide or other products of combustion are not properly vented to the outside. By the end of the year 2000, approximately one million vented gas-fired space heaters with safety shut-off systems will be in use. At that time, approximately 40 carbon monoxide poisoning deaths will be avoided per year, or about 30 percent of the current annual deaths. Before the year 2000, smaller reductions in carbon monoxide poisoning deaths can be expected.

2. Reduce the number of injuries and deaths associated with water heater and central furnace fires and explosions. This will result from Commission activities to increase consumer awareness of the potential hazards associated with lighting/relighting of the heaters. The consumer

information was developed in cooperation with the industry in FY 1983 and will begin to have an impact in FY 1984 as the revised instructions appear on new heaters and on replacement heater controls. The staff estimates that these actions will reduce the deaths and injuries by at least 10 percent by 1995. Some smaller reduction in deaths and injuries can be expected prior to 1995.

3. Reduce the number of injuries and deaths from fires and explosions of gas-fired water heaters and central furnaces. This will be accomplished by incorporating improved safety requirements into existing voluntary standards. Although the specific improvements needed have not been identified, attention is being focused on control values, pressure regulators, sediment traps and LP gas odorants. It is not possible at this time to quantify the expected injury reduction because the specific technical changes to the voluntary standards have not been determined.

4. Reduce injuries and deaths from carbon monoxide poisonings as well as fire and explosions resulting from the ignition of flammable vapors from gas-fired heating appliances. This reduction can be accomplished by the development and installation of carbon monoxide and fuel gas detectors on gas-fired heaters. Currently detectors are not available for such use because of their high cost and short life. The Commission is currently encouraging the development of low-cost, long-life and high reliability carbon monoxide and fuel gas detectors that could be incorporated as safety devices on gas-fired appliances. It is not possible at this time to quantify the expected injury reduction because it is not known at what level of carbon monoxide or fuel gas the detectors will actuate. The lower the detectable level, the greater the safety margin for the consumer.

5. Reduce injuries from fires and explosions resulting from failures associated with flexible gas connectors. Although specific improvements needed have not been identified, attention will focus on the ability of the metal currently used in the connectors (brass) to withstand stress corrosion. It is not possible at this time to quantify the expected injury reduction because the specific technical changes to the voluntary standards have not been determined.

MILESTONES

FY 1983

- Monitor the development of the voluntary standard requirements to address the carbon monoxide hazard from vented room heaters. (Objective 1)
- Participate with the industry in developing information on water heater safety. (Objective 2)

- o Begin to develop information on ways to improve the safety of water heaters and central furnaces that can be incorporated into the voluntary standards. (Objective 3)

FY 1984

- o Monitor the completion and implementation of the voluntary standard requirements to address the carbon monoxide hazard from vented room heaters. (Objective 1)

- o Evaluate the reliability and effectiveness of the "thermal spill switch" to adequately address the carbon monoxide hazard from vented room heaters. (Objective 1)

- o Monitor the completion and implementation of the voluntary standard requirements for improved lighting/relighting instructions for water heaters and central furnaces. (Objective 2)

- o Develop technical data and recommendations on ways to improve the safety of water heaters through the voluntary standards process. (Objective 3)

- o Develop a preliminary recommendation regarding the use of carbon monoxide and fuel gas detectors on gas-fired appliances based on testing of devices currently being developed. (Objective 4)

- o Develop information on the nature and causes of failures of flexible gas connectors and decide if changes to the current voluntary standard for this product are needed. (Objective 5)

FY 1985

- o Recommend implementation of technical changes to the voluntary standard on gas-fired central furnaces to reduce the risk of injury associated with fires, explosions and carbon monoxide poisonings. (Objectives 3 and 4)

- o Initiate voluntary action to have carbon monoxide detectors required on gas-fired heaters if it is determined that they are cost-effective and reliable. (Objective 4)

- o Encourage consumer use of low-cost, reliable fuel gas detectors to protect against the risk of injury from the ignition of flammable vapors. (Objective 4)

- o Recommend changes to the voluntary standard for flexible gas connectors if it is determined they are needed. (Objective 5)

FY 1986/1987

- o Evaluate the effectiveness of the changes to the voluntary standard on water heaters implemented during 1985. (Objective 3)

- o Evaluate the suitability of the technical revisions made to the voluntary standard in FY 1986 on central furnaces to adequately address the risks of injury. (Objectives 3 and 4)
- o Monitor the implementation of voluntary standards requiring the use of carbon monoxide detectors on gas-fired heaters. (Objective 4)
- o Evaluate the effectiveness of the changes to the voluntary standard on flexible gas connectors. (Objective 5)

MEASUREMENT OF EFFECTIVENESS

The Commission will evaluate the effectiveness of the thermal spill switch to reduce the number of carbon monoxide poisonings from vented room heaters by comparing the number of deaths reported before the requirement went into effect to the number of deaths several years after the effective date of the requirement. The comparison will take into account the number of heaters in use at the times for which the comparisons are made and the ages of the heaters involved in the accidents. The death data are available to the Commission through the National Center for Health Statistics and the Commission's death certificate files.

It will be more difficult to measure the effectiveness of the revised lighting instructions for water heaters and central furnaces because there are additional improvements planned in 1985 for these products. While it will be possible at some later date to measure the combined effect of technical improvements in combination with revised instructions, it will not be possible to separate their impact.

The Commission will also evaluate the effectiveness of future actions that are expected to be taken regarding central furnaces, flexible gas detectors and carbon monoxide and fuel gas detectors as those actions are implemented. At this time the Commission does not know the exact nature of the changes to be made since the technical evaluations of these products have not begun.

4. INDOOR AIR QUALITY

A. FUEL FIRED APPLIANCES

HAZARD AND INJURY DATA

Unvented gas space heaters (UVGSH), gas stoves and kerosene heaters, like other unvented appliances, emit the products of combustion directly into the indoor air. The use of kerosene heaters or unvented gas space heaters in residences may result in a significant deterioration of indoor air quality. Much attention is now focused on kerosene heaters because of their sudden surge in sales. U.S. sales have increased from about 3,500 in 1974 to 4.5 million in 1982. Approximately nine million kerosene heaters may be in use in consumers' homes. Current estimates are that over 5.5 million unvented gas space heaters may now be in use. Use of unvented, portable heating appliances is likely to continue or increase as consumers seek alternative heat sources in the face of rising energy costs.

The hazard to the millions of families who use unvented fuel-fired appliances results from the by-products produced by the burning flame. These indoor air pollutants (carbon dioxide, carbon monoxide, nitrogen dioxide, nitric oxide, sulfur dioxide, formaldehyde, particulates and others) have the potential to contribute to respiratory disease and lung dysfunction in children, to increase the problems and discomforts of angina patients, and generally to affect adversely the health of consumers. Of particular concern are the exposures to respiratory irritants, including nitrogen dioxide, sulfur dioxide, and formaldehyde. These pollutants may particularly affect individuals with pre-existing pulmonary diseases such as bronchitis, asthma, and emphysema. These individuals constitute over 10 percent of the general population. Several studies suggest that exposure to nitrogen dioxide increases susceptibility to respiratory disease, especially in children.

The significance of the contribution of fuel-fired appliances to the exposure of Americans to hazardous pollutants is dramatized by a comparison of the extent of the population exposure through indoor versus outdoor pollutant levels. According to the President's Council on Environmental Quality (CEQ) Annual Report, released in June 1983, 23.1 million persons were exposed through outdoor air to "unhealthful" nitrogen dioxide levels (above 0.26 ppm) in 1981. CEQ reported that the total national exposure was 241 million person days; 228 million of which occurred in the southern California coastal basin (Los Angeles area). CEQ reported that the people exposed to "unhealthy" outdoor levels, outside of southern California, were only exposed for two days, on average, during the year.

The Consumer Product Safety Commission's staff utilized the data available to the Commission on consumer use of kerosene and unvented gas heaters and the levels of nitrogen dioxide in homes associated with use of these appliances to develop similar information for indoor exposure. The staff estimates that about one billion to one and one-half billion person days of exposure to "unhealthy" levels of nitrogen dioxide occurred during 1982 from consumer use of unvented gas heaters and kerosene heaters. More significantly, American consumers were exposed to these levels in areas of "clean" outdoor air, and the exposures were likely to have occurred on from 90 to 120 days and may have lasted up to 6 to 10 hours each day. These exposures result from consumer products already in homes.

Researchers in the environmental health community have recently shown that inadequately designed coal and wood burning stoves release various pollutants into the indoor air. These pollutants include carbon monoxide and various polycyclic hydrocarbons, which can cause both acute and chronic health effects. Further evaluation of the potential for adverse health effects is needed.

Research concerning the potential effect on indoor air quality from gas emissions has been conducted for the past several years. The Commission staff is reviewing that data. In addition, the Commission staff is working with the gas industry and the academic community on the development of a protocol for a major characterization study to be funded by a gas utility. Information on gas stove emissions is also being collected in several other broad based indoor air monitoring studies. The staff will utilize all available data to assess the need for remedial action on gas stove emissions.

OBJECTIVES

The one-half billion person days of exposure which result from use of supplemental gas appliances in closed rooms can be affected by consumer information and education programs conducted by industry and the Commission. If use in closed rooms could be reduced by one-half, it would result in a reduction of about 200 million person days of exposure.

If heaters produced in the future conform to emissions standards for nitrogen dioxide, such as those being developed jointly by the kerosene heater industry and CPSC, and are not used in closed rooms or tightly sealed houses, then the three to five million unvented heaters which may be sold in future years will not contribute additional person days of exposure at "unhealthful" levels of nitrogen dioxide.

The objectives of this project are:

1. Determine the effect of kerosene heaters, unvented gas space heaters and other fuel-fired appliances on indoor air quality.
2. Develop voluntary standards to reduce consumer exposure to pollutant gases from fuel-fired appliances.
3. Develop consumer information and education materials to assist consumers in reducing exposure to pollutants.

MILESTONES

FY 1983

- Complete testing of kerosene heaters. (Objective 1)
- Complete recommendations to Commission on kerosene heaters. (Objectives 2 and 3)
- Provide consumer information concerning kerosene heater safety. (Objective 3)
- Complete preliminary recommendations to Commission on UVGSH. (Objective 1)
- Complete evaluation of existing research and plan for future testing of other fuel-fired appliances including cabinet heaters, gas ranges and coal/wood stoves. (Objective 1)

FY 1984

- Complete emission tests and evaluate potential health hazards from coal/wood-burning stoves. (Objective 1)
- Complete evaluation of success of voluntary standards activities on kerosene heaters. (Objective 2)
- Complete recommendations to Commission for gas ranges. (Objective 2)
- Complete laboratory emission testing of UVGSH and cabinet heaters; verify test models through limited field testing. (Objective 1)

FY 1985

- Complete recommendations to Commission on UVGSH and coal/wood stoves. (Objective 1)
- Complete evaluation of voluntary standards activities for UVGSH. (Objective 1)
- Complete recommendations on voluntary emissions standards for cabinet heaters. (Objective 2)
- Develop consumer information on effect of supplemental gas heating appliances on indoor air quality. (Objective 3)

FY 1986/1987

- Complete work with industry on reducing emissions from cabinet heaters, wood/coal burning stoves, and gas stoves. (Objective 2)

MEASUREMENT OF EFFECTIVENESS

During FY 1984 voluntary standards to control pollutant emissions will be developed for kerosene heaters and are likely to be in process for UVGSH. In the following years standards will be developed to reduce emissions from other fuel fired appliances. If an appropriate standard can be developed voluntarily, it would reduce pollutant emissions from the heaters produced for the following heating season. The reduction in emission rates may also occur incrementally during the development of a standard as some manufacturers put into production the developing technology.

When a standard is in place, the reduction in person days of exposure over what would have occurred without CPSC action will be the result of sales of the new units. The emission rate standards suggested by CPSC are intended to reduce exposure below the CEQs "unhealthful" level, in most cases. Replacement of in-use heaters by new heaters with lower pollutant output may begin in 1984. Thus, in 15 years the current person days of exposure to "unhealthy" levels of nitrogen dioxide should be reduced by 80 to 100 percent.

The current exposure from units-in-use can be affected by information and education which alters the way in which consumers use the heaters. The reduction in person days of exposure can be measured by repeating the consumer use surveys conducted in FY 1983. If the way in which consumers use the heaters changes, the reduction in exposure can be calculated by conducting new consumer use surveys and evaluating changes in use patterns.

Replacement of in-use "pre-standard" heaters over the years will reduce exposure but increased total use of supplemental heating appliances may maintain or increase exposure.

B. FORMALDEHYDE RELEASED FROM PRESSED WOOD PRODUCTS

HAZARD AND INJURY DATA

Most interior grades of particleboard and plywood (including wall paneling) are manufactured with urea-formaldehyde resins which serve as an adhesive/binder. The Commission is aware of a substantial number of reports of adverse health effects from mobile and conventional home residents whose symptoms are believed to be related to formaldehyde emission from these products.

The Department of Housing and Urban Development has proposed a rule to limit formaldehyde emission from particleboard and plywood used in mobile home construction because of complaints from mobile home residents of adverse health effects associated with formaldehyde. Additionally, the States of Wisconsin and Minnesota have laws/regulations limiting the ambient formaldehyde levels in conventional and/or mobile homes.

The Commission is aware of over 2,600 consumer complaints involving an estimated 4,800 persons exposed to particleboard and plywood since 1978. About 75 percent of these complaints are from mobile home residents or owners of recreational vehicles, and the remaining 25 percent are from conventional home residents and occupants of public buildings.

The adverse health effects reported by complainants are consistent with those reported in the medical literature as resulting from formaldehyde exposure. Frequently reported health effects include burning and itching eyes, nose and throat irritation, difficulty in breathing, nausea, dizziness, and skin rash. Less frequently reported symptoms include nosebleeds, swollen glands and loss of memory. Some of the reported health effects have been severe enough to require hospital treatment and a number of the complainants have been advised by a physician to move out of their residences. Some physicians have reportedly diagnosed the symptoms as reactions to formaldehyde.

In addition to the acute health risks, formaldehyde has been found to cause nasal cancer in laboratory animals (rats and mice). It is not known at this time whether formaldehyde causes cancer in humans; however, many leading scientists and scientific groups have stated that formaldehyde should be presumed to pose a carcinogenic risk to humans.

BACKGROUND CONCERNING OBJECTIVES

Because of a growing concern about the acute and chronic health effects of formaldehyde gas and because the Commission continues to receive consumer complaints, the Commission initiated a project to quantify the extent of the risk to consumers from formaldehyde released by these products. Until the extent of the risk is determined, the impact of any product improvements on that risk cannot be estimated. The formaldehyde problem from pressed wood in mobile homes is widely recognized throughout government and industry, and is severe enough to prompt the Department of Housing and Urban Development to initiate action to propose a mandatory standard to limit formaldehyde emissions in mobile homes. Although these wood products have been used for many years in mobile and conventional homes, the adverse health effects associated with them are only now coming to the attention of government. The primary reasons for this are:

1. the recent focus on energy conservation has resulted in more energy efficient homes which in turn reduces the amount of fresh air entering the home which would normally serve to dilute the effect of formaldehyde released from the products;

2. more extensive use of the products in home construction as well as in consumer products such as furniture and cabinetry; and

3. the recognition of the adverse health effects by consumers as attributable to formaldehyde.

For these reasons the Commission decided to devote resources to quantifying the extent of the risk of formaldehyde from pressed wood products in conventional homes. Commission involvement has prompted and will continue to prompt the manufacturers of pressed wood products to voluntarily work to reduce the levels of formaldehyde emitted from their products. Manufacturers inform the Commission that they have reduced emissions from their products 70 to 90 percent since the mid-1970's. The work the Commission is currently performing will determine if that figure is accurate and whether the reduction is sufficient to adequately address the risk of injury from formaldehyde.

OBJECTIVES

1. Determine the extent to which formaldehyde emissions from pressed wood products manufactured with urea-formaldehyde resins and used in conventional homes contribute formaldehyde gas to the living environment and estimate the consumer risk of injury.

2. Examine alternatives available to pressed wood manufacturers for reducing formaldehyde emissions from their products.

3. Evaluate methods of measuring formaldehyde emissions from pressed wood products and relate the emissions to expected room air concentrations.

4. Continue to work with industry to reduce formaldehyde emissions from pressed wood products.

5. Based on the final exposure and risk assessment on formaldehyde from pressed wood, the Commission will consider whether remedial actions are needed to control the release of formaldehyde from these products.

6. Initiate action to implement remedial steps for pressed wood products.

MILESTONES

FY 1983

- Initiate a product survey to determine the formaldehyde emission characteristics of various pressed wood products. (Objective 1)
- Develop information on the consumer end-use and loading of pressed wood products. (Objective 1)
- Provide the Commission with a preliminary formaldehyde exposure and risk assessment from pressed wood products in conventional homes. (Objective 1)
- Develop information on the state-of-the-art of urea-formaldehyde resins as well as information on alternative resin systems. (Objective 2)
- Provide data on the reliability of various methods for measuring formaldehyde emissions from pressed wood products. (Objective 3)

FY 1984

- Complete the exposure and risk assessment on formaldehyde emitted from pressed wood products in conventional homes that began in FY 1983. (Objective 1)
- Recommend to the Commission whether remedial actions are needed to address the risk of injury based on the results of the risk assessment. (Objectives 1, 2 and 5)
- Provide the Commission with a summary of requirements that would be needed for remedial steps. (Objectives 1, 2 and 5)

FY 1985

- Finalize requirements that would be needed to implement a remedial program to control formaldehyde emissions from pressed wood. (Objectives 4 and 6)

FY 1986/1987

- Finalize and implement remedial actions. (Objectives 4, 5 and 6)

- o Monitor the implementation of remedial steps. (Objective 6)

MEASUREMENT OF EFFECTIVENESS

The Commission will evaluate the effectiveness of remedial steps to control formaldehyde emissions from pressed wood products by comparing the number of complaints reported prior to the remedial program to those reported by consumers using materials after the implementation of the program. Additionally, the Commission will evaluate effectiveness by comparing the estimate of risk to consumers from products manufactured prior to the program to those estimates of risk from products which meet new criteria.

5. NURSERY EQUIPMENT

HAZARD AND INJURY DATA

According to a November 1982 Commission report on infant products, an estimated 87,000 injuries associated with products such as cribs, strollers, baby gates, high chairs, and other nursery equipment or supplies were treated in hospital emergency rooms in 1981. The Commission also received reports of approximately 1,084 fatalities associated with these products between 1973 and 1981.

Many of these accidents involve pre-standard products. For example, in 1980, 50 percent of the injuries associated with high chairs involved high chairs manufactured before the voluntary standard went into effect in 1975. While Commission crib regulations went into effect in 1974, a large number of crib-related fatalities reported still involve pre-standard cribs.

Because many nursery products have a long life and may be passed on from one child to the next or stored in anticipation of future need, many products may remain in consumers' hands which do not meet current safety standards, whether mandatory or voluntary. Consumers may be unaware of potential hazards or recent product improvements designed to address these hazards.

OBJECTIVES

Reduce injuries and deaths associated with nursery equipment through increasing consumer awareness of hazards and safety by:

1. Reaching new and expectant parents and others who care for infants with information to help them select, use, and maintain nursery equipment and supplies safely; and to "retrofit" old or used equipment to eliminate potential hazards.

2. Providing information through organizations of pediatricians, day care centers, hospital and expectant parent clinics, and others who work with parents and caretakers of infants, and through other government agencies.

3. Encouraging retailers, trade associations and manufacturers of nursery equipment to provide safety information to the public.

MILESTONES

FY 1984

- Conduct pre-test to collect information needed to identify particular target populations and hazards and products to address. (Objective 1)
- Meet with industry and trade association representatives to discuss possible collaborative efforts. (Objective 3)

FY 1985

- Review and update existing materials and PSA's (both CPSC-and industry-produced); develop new messages for use in campaign; and produce film, PSA's, poster, brochure and other materials. (Objectives 1, 2 and 3)
- Conduct cooperative efforts with national organizations and other government entities. (Objective 2)
- Cooperate with retailers, trade associations and manufacturers on safety information efforts. (Objective 3)
- Conduct community outreach campaign. (Objectives 1, 2 and 3)

FY 1986

- Collect post-test data and prepare final program evaluation. (Objective 1)
- Prepare final report on program. (Objectives 1, 2 and 3)

MEASUREMENT OF EFFECTIVENESS

The Nursery Equipment Program will be evaluated to determine the impact of the information and education activities on the awareness level of the target audience. A pre-test will be conducted using consumer panels drawn from both a national sample and from a small area where a community outreach activity is planned. In FY 1986, after completion of the program, funds will be allocated for a post-test using similar panels. The data collected will be compared to analyze the effect of the program.

6. PORTABLE ELECTRIC HEATERS

HAZARD AND INJURY DATA

The CPSC staff believes that many kinds of portable electric heaters of all ages, some dating back to the 1930's and 1940's, are in use today. The life expectancy of portable electric heaters can be very long depending upon how they have been used. Some are used rarely, while others are used daily in cold weather (e.g., as a supplementary heater in the bathroom). In addition, consumers may repair heaters themselves because they tend to be relatively simple appliances and tend to last a long time.

The primary hazard associated with the use of portable electric heaters is fire. Based on U.S. Fire Administration and CPSC data, it is estimated that there were 150 deaths, 700 injuries, and 3,300 fires in 1981 associated with portable electric heaters.

A preliminary review of accident data indicates that portable electric heaters can cause fires directly or indirectly. They can cause fires directly by igniting combustibles located too close to their heating elements. This may occur as a result of a thermostat malfunction, a break in the heating element or a failure in the operation of the blower responsible for circulating the heat. The heaters may also cause fires indirectly when they are operated by use of an extension cord whose wire size is too small to supply the current they need. The extension cord could then overheat and ignite nearby combustibles.

OBJECTIVES

Reduce the number of fires, injuries and deaths associated with use of portable electric heaters by:

1. Making recommendations for upgrading Underwriters Laboratories (UL) - "Standard for Safety Portable Heaters (UL 1025)" based upon hazard and engineering analyses and laboratory and field testing.

2. Assessing consumer use patterns associated with portable electric heaters to determine specific accident scenarios and frequency of occurrence and informing consumers of safe use and maintenance of the product.

MILESTONES

FY 1985

- Evaluate UL Standard 1025. (Objective 1)

- Test the types of heaters from the categories that appear to be the most hazardous based on available data. (Objective 1)

- Assess utilization patterns by consumers. (Objective 2)

- Inform consumers of safe use and maintenance of electric portable heaters. (Objective 2)

- Conduct injury survey. (Objective 2)

- Review existing correspondence regarding portable electric heaters (e.g., section 15 reports) in order to gather additional information on incident scenarios. (Objective 2)

- Perform economic analysis of industry to determine number, type and construction of heaters involved in incidents. (Objective 2)

FY 1986

- Participate in research to evaluate new designs and new technology protective devices. (Objective 1)
- Propose and support new provisions to standards and codes. (Objective 1)
- Prepare hazard analysis. (Objective 1)

MEASUREMENT OF EFFECTIVENESS

The injury reduction resulting from Commission efforts regarding portable electric heaters will depend upon specific recommendations made and accepted and their effective dates. When specific accident/incident scenarios have been identified and recommendations made and accepted by UL to address a specific scenario, estimates of death and injury reduction can then be made and eventually verified using various Commission data sources.

7. RIDING MOWERS

HAZARD AND INJURY DATA

An estimated 100 deaths each year are associated with riding mowers and garden tractors. In 1980, these products were involved in an estimated 38,000 medically-attended injuries. The major hazard associated with the use of riding mowers and garden tractors is blade contact. Approximately 80 percent of the fatal accidents involve three hazard patterns: (1) mower tipover, (2) victim falls under or is run over by mower (incidents involving young children fall in this category), and (3) victim is thrown from or falls off the mower. The risk of injury associated with a riding mower is 50 percent higher than the risk with a walk-behind mower. The rate of hospitalization for riding mowers is almost twice the average rate for all injuries reported through the Commission's National Electronic Injury Surveillance System (NEISS). Additionally, a significant portion of riding mower injuries involve amputations, fractures and dislocations.

OBJECTIVES

Reduce the annual deaths and injuries associated with riding mowers by:

1. Collecting and analyzing additional injury, human factors and engineering data needed to support Commission recommendations and to evaluate industry proposals.
2. Participating with industry in the ongoing effort to upgrade the voluntary standard to address (1) dynamic stability, (2) blade control, (3) backover, and (4) safety instructions.

3. Informing the public about safe use and maintenance practices to minimize the hazards associated with the use of riding mowers and garden tractors.

MILESTONES

FY 1983

- Meet with industry to inform them of preliminary CPSC information regarding riding mowers (Objective 2)

FY 1984

- Begin Engineering and laboratory testing of riding mowers. (Objective 1)
- Perform updated injury survey. (Objective 1)
- Develop informational materials on safe use of riding mowers. (Objective 3)

FY 1985

- Prepare preliminary hazard and human factors analysis. (Objective 1)
- Conduct limited testing of prototype mowers. (Objective 1)
- Review and comment on revisions to ANSI Standard for Lawnmowers - B71.1. (Objective 2)
- Upgrade information and education materials on riding mowers. (Objective 3)

FY 1986

- Complete hazard and human factors analysis (Objective 1)
- Complete engineering laboratory and field testing of riding mowers. (Objective 1)
- Submit proposed standard to ANSI canvas review process. (Objective 2)
- Develop information and educational materials to inform consumers of the safe use and maintenance of riding mowers. (Objective 3)

MEASUREMENT OF EFFECTIVENESS

The measure of effectiveness in death and injury reduction resulting from Commission staff activities will be dependent upon recommendations made and accepted by ANSI and the effective dates of the updated requirements. After Commission staff recommendations are approved, an estimate of reduction can then be made. The effectiveness of Commission activity can be measured by using Commission death certificate, injury and economic data.

8. TOXICITY OF COMBUSTION PRODUCTS

HAZARD AND INJURY DATA

Residential fires in the U.S. result in an estimated 5,000 deaths each year. Of these deaths, it is estimated that more than half are caused by inhalation of toxic gases rather than from burns. Carbon monoxide has been generally accepted as the major single cause of smoke inhalation deaths. There is, however, increasing concern that other toxic gases may also play an important role.

STATE OF THE ART

At this time the state of the art is such that techniques for identification and characterization of highly toxic materials require considerable further development before recommendations for possible regulatory actions can be considered. It is premature to attempt to estimate the amount or timing of future reduction in smoke inhalation deaths.

In recent years, a number of test protocols have been developed for determining the quantity of any given material which when combusted can be expected to kill a specified number of mice or rats in a specified time (LC_{50} - concentration at which 50 percent of the animals die in a specified time). While such tests provide information on the amount required to kill 50 percent of the animals under specific test conditions, the relationship of this amount to the human combustion toxicity hazard is not known. This animal/human toxicity relationship requires, at a minimum, determination of the identity and concentration of combustion products, and the duration of exposure which cause death in humans. Research studies needed to provide information of this type are expected to involve several years of investigations.

OBJECTIVES

Reduce the estimated annual death toll resulting from the inhalation of toxic combustion products by:

1. Identifying materials used in consumer products which, when combusted, generate highly toxic gases.

2. Determining relationship of laboratory combustion toxicity tests to the toxicity hazards generated in full scale room fires.

3. Developing a fire hazard assessment model to determine the nature and techniques which will reduce the combustion toxicity hazard.

4. Focusing Federal activities in combustion toxicity to enhance effective communication between projects and to prevent duplication of effort.

MILESTONES

FY 1983

- Determine the relative toxicity of five upholstered furniture filling materials. (Objective 1)
- Review literature covering the toxic combustion products generated by polyurethane foam. (Objective 1)
- Acquire in-house testing capabilities for determining the relative toxicity of materials. (Objective 1)

FY 1984

- Determine the relative toxicity of 30 materials, alone or in combination, used in upholstered furniture. (Objective 1)
- Review literature covering the toxic combustion products generated by 10 plastics. (Objective 1)
- Focus Federal activities in the field of fire toxicity. Arrange a public symposium on state-of-the-art and issue reports on activities. (Objective 4)

FY 1985

- Determine the relative toxicity of an additional 30 materials used in consumer products. (Objective 1)
- Review literature covering the toxic combustion products generated by an additional 10 plastics. (Objective 1)
- Initiate program to investigate the relationship of laboratory combustion toxicity tests to the toxicity hazard generated in full scale room fires. (Objective 2)
- Investigate the feasibility of developing a fire hazard assessment model to determine materials and techniques which will reduce the combustion toxicity hazard. (Objective 3)
- Continue to focus Federal activities; hold periodic meetings and issue reports on activities. (Objective 4)

FY 1986

- Determine the relative toxicity of an additional 30 materials used in consumer products. (Objective 1)
- Continue program to investigate the relationship of laboratory combustion toxicity tests to the toxicity hazard generated in full scale room fires. (Objective 2)
- Undertake the development of a fire hazard assessment model for determining materials and techniques which will reduce the toxic combustion hazard. (Objective 3)

- Continue to focus Federal activities; hold periodic meetings and issue reports on activities. (Objective 4)

MEASUREMENT OF EFFECTIVENESS

Measurement of the eventual reduction in deaths will be based on estimates calculated from data from the U.S. Fire Administration and the National Fire Protection Association in conjunction with CPSC in-depth investigations.

9. SAFETY FOR OLDER CONSUMERS

HAZARD AND INJURY DATA

Census Bureau statistics show that the population of Americans 65 years and older has increased dramatically in recent years and will continue to grow. Between 1970 and 1980, for example, this population has increased by 5.5 million; in the same decade, the number of Americans 85 and older rose 5.6 percent--to 2.2 million. In 1982, a record 11.6 percent of America's population was 65 or older, and the proportion of elderly will increase to 12.2% by the year 2000.

The elderly are particularly vulnerable to accidental injury. Changes in vision and muscular agility and loss of speed in reacting to stimuli or adapting to new environments, coupled with tendencies for bones to break more easily and heal more slowly, may predispose the elderly to more severe or lasting injuries. Although the elderly may suffer accidental injuries less frequently than do younger people, when an injury occurs it is much more likely to be fatal. In 1983, the cost of medically attended injuries to persons 65 or older totalled an estimated $3 billion. In 1981 medical expenses for the elderly made up 1/3 of the nation's total health expenses of $255 billion. Of the $83 billion spent on health care for the elderly, 64%, or $53 billion, was paid for by Medicare, Medicaid or other federal government programs. Given the increasing proportion of elderly and the continuing medical care price increases in excess of the overall consumer price index, the need for accident prevention measures like the Commission's safety audit program is apparent.

OBJECTIVES

After completing the evaluation of the Fiscal Year 1984 pilot project the Commission will, if the project is determined to be successful, attempt to reduce the unreasonable risk of injury to older consumers associated with a variety of hazards by:

1. Encouraging State and local agencies to initiate similar audit programs within their areas, and assist State and local authorities and other groups in replicating the model if the pilot is determined to be successful.
2. Promoting safety of older consumers to the public through national media, cooperative efforts with major national organizations and businesses, and distribution of information to the public.

MILESTONES

FY 1984

- Develop a Home Safety Checklist that older consumers can use to reduce hazards and improve safety in their homes.
- Work with the Administration on Aging and other appropriate groups that serve or represent the elderly to implement a pilot home safety audit program at a selected site.
- Conduct the pilot home safety audit program in a sample of approximately 2,000 households (including single family homes, apartments, mobile homes, etc.) headed by older consumers (i.e., persons 65 years of age and older).
- Collect pre- and post-audit information in order to evaluate the home safety audit program and to compare it with other information dissemination techniques (i.e., mailing information to consumers).

FY 1985

- Contractor completes analysis of pre- and post-audit data and issues final evaluation report. (Objective 1)
- Prepare program report, evaluation findings, and recommendations to the Commission. If the pilot home safety audit program is judged a success, plan for promoting the model nationwide. (Objective 1)
- Establish a "resource center" at a federal agency or organization serving older persons to provide information on the strategies developed and lessons learned during the course of the pilot project. (Objective 2)
- Invite interested Federal, state, and local government officials, media, organization and business representatives to a public meeting to discuss the pilot program and to consider implementing similar or related programs. (Objective 2 and 3)
- Work with organizations and communities to establish home safety audit programs. (Objective 2 and 3)
- Work with organizations, businesses and media to promote distribution of safety information for older consumers. (Objective 2 and 3)

FY 1986

- Present a final comprehensive report to the Commission detailing headquarters and regional office activities carried out in Fiscal Year 1985 to promote the use of the home safety audit concept.

MEASUREMENT OF EFFECTIVENESS

The effectiveness of the project will be measured by determining changes in older consumers' awareness of potential hazards in their homes and the extent to which changes were actually made to improve safety in the home. In addition, the success of the project will be measured in determining the extent to which organizations serving the elderly, both governmental and private organizations, have disseminated information to the older consumers or incorporated the home safety audit program into their ongoing programs.

PRIORITY PROCESS

Chairman STEORTS. Yes. I would also like to say our priority process is truly working. It was a suggestion of this committee that the Consumer Product Safety Commission set priorities. With it, we are able to focus the work of the Commission. It also focuses the work of the staff. I think it certainly is the way to go.

Senator ABDNOR. Thank you.

SUBMITTED QUESTIONS

I do have a good many questions, and Chairman Garn, who could not be here, has 25 pages of additional questions. We could sit here all day answering them. I will submit the questions to you in writing and let you respond.

We appreciate your attendance and all of your very fine statements. That is what we are here for, to listen.

Thank you very much.

Chairman STEORTS. Thank you, Mr. Chairman. Thank you for the courtesy you have shown the Commission.

Commissioner SCANLON. Thank you, sir.

[The following questions were not asked at the hearing but were submitted to the Commission for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

FY 1985 PRIORITY PROJECTS

Question: For FY 1985 you have identified nine priority areas. These are:

- Chlorocarbons
- Electrocution Hazards
- Gas Heating Systems
- Indoor Air Quality
- Nursery Equipment
- Portable Electric Heaters
- Riding Mowers
- Toxicity of Combustion Products
- Safety for Older Consumers

Would you please briefly indicate for each of the nine priority areas, the change in funding in each priority area from the OMB budget request level; and the implication of this change in terms of the activities that will be conducted?

Answer: There have been changes from the OMB budget request level in three priority projects. The changes are:

- Riding Mowers (-$15,000). The $15,000 was for the purchase of mowers and equipment for testing. These purchases have been made in FY 1984 making these funds no longer necessary.

- Toxicity of Combustion Products (-$15,000). The $15,000 in contract funds was for the conduct of two literature reviews to identify and review articles on the toxicity of combustion products. These two reviews will now be conducted by CPSC personnel. In addition, funds remain for the conduct of eight literature reviews by contract.

- Indoor Air Quality (-$130,000). These funds were to be used for two purposes. Contract funds of $30,000 were originally allocated to hold an international conference on indoor air quality. The Commission has subsequently learned of other conferences already planned on indoor air quality making the use of these funds unnecessary at this time.

  Contract funds of $250,000 were originally allocated to determine the extent to which asthmatics, the elderly and other special populations are affected by pollutants found in homes during the use of unvented combustion sources. This study will be an inter-agency cooperative effort with the Environmental Protection Agency and other Federal agencies. The Commission's contribution to this cooperative effort has been reduced from $250,000 to $150,000. The Commission is hopeful that other agencies will increase the funding for this effort to offset the CPSC decrease.

ACCIDENTS RELATED TO FY 1985 PRIORITY PROJECT AREAS

Question: Would you please indicate the average number of annual injuries and fatalities over the last decade in each of the priority project areas?

Answer: Hazard data for the priority projects follow:

1. Chlorocarbons. The primary solvents considered under the chlorocarbon project are dichloromethane (DCM), also known as methylene chloride, and perchloroethylene (PCE). DCM is widely used as a paint remover, solvent and aerosol propellant, while PCE is widely used as a dry cleaning solvent in coin-operated machines in laundromats.

   Data on deaths and injuries associated with acute exposure to DCM are very limited and appear to be caused primarily by intentional sniffing of DCM. The death of a cardiac patient was also reported to occur following use of a paint stripper containing DCM. Since DCM is rapidly metabolized to carbon monoxide in the human body, people using DCM have an increased level of carboxyhemoglobin (carbon monoxide plus hemoglobin) in their blood. Elevated levels of carboxyhemoglobin causes anoxic stress of cardiac tissue and may pose added risks to cardiac patients.

   Of greater concern are data which suggest that DCM may be carcinogenic. There is one industry sponsored study which showed a significant increase in salivary gland tumors. Results from a National Toxicology Program (NTP) inhalation bioassay of DCM in rats and mice are also expected later this year. The Commission does not yet have adequate exposure information, nor is sufficiently detailed information from the animal bioassays currently available, to permit reasonable estimations of the number of cancers which might occur from the current exposure of consumers to DCM. This risk of cancer could be significant due to the widespread use of products containing DCM. The Commission is currently exploring the degree of exposure.

   PCE may have a narcotic effect on humans when inhaled at high concentrations and is irritating to the skin, but is not otherwise acutely toxic. There is also animal data that suggests PCE has carcinogenic potential. Results from an NTP inhalation bioassay of PCE in rats and mice are expected later this year. The risk of cancer could be significant due to extensive exposure of consumers to PCE in laundromats which contain coin-operated dry cleaning machines.

2. Electrocution Hazards. There are on the average 10,000 medically attended injuries and 500 deaths each year involving products under CPSC jurisdiction.

3. Gas Heating Systems. The Commission has data on injuries and deaths associated with fires resulting from the use of gas fired heating appliances covering the years 1978 to 1982. On the average there were an estimated 2,754 injuries and 222 deaths.

   The two years for which data are available for carbon monoxide related deaths are 1979 and 1980. Those figures are 290 and 248 respectively.

4. Indoor Air Quality. The Commission does not have direct data on injuries and fatalities resulting from indoor air quality, in part because these illnesses are not the type to be treated in hospital emergency rooms, and in part because they are chronic illnesses which often appear long after the exposure began. Fuel-fired appliances produce carbon monoxide, nitrogen dioxide, sulfur dioxide, formaldehyde, particulates and other pollutants which have the potential to cause increases in respiratory disease and pulmonary dysfunction. The Commission has estimated that for nitrogen dioxide alone indoor exposure from unvented appliances may produce 4 to 6 times as many unhealthy exposure days as outdoor air. More significantly, American consumers were exposed to these levels in areas of "clean" outdoor air and the family was likely to have been exposed from 90 to 120 days with exposures lasting up to 6 to 10 hours each day. Inadequately designed coal and wood burning stoves also release pollutants into the indoor air. It has been estimated by the National Academy of Sciences (NAS) that indoor pollutants from fuel fired appliances as well as from pressed wood products, insulation, furniture, furnishings, consumer products and hobby activities add about 15 to 100 billion dollars to health care costs.

   The table below provides the number of complaints received by the Commission concerning formaldehyde believed to be emitted from pressed wood products (part of the Commission's Indoor Air Quality priority project):

Number of Complaints

Year	Conventional Home	Mobile Home	Total
1975	1	0	1
1976	0	2	2
1977	0	4	4
1978	6	33	39
1979	16	83	99
1980	41	224	265
1981	24	93	117
1982	71	95	166
1983	40	45	85
1984	2	0	2
Unknown	1	16	17
Totals	202	595	797

In addition to these complaints, the Commission also receives complaints from State health agencies concerning formaldehyde believed to be associated with pressed wood products. In total, the Commission is aware of 2,600 consumer complaints involving an estimated 4,800 persons concerning formaldehyde associated with pressed wood products. Most of the complaints reported are those of acute health effects which include irritations of the eyes, nose and throat, nausea, headaches, difficulty in breathing, dizziness, nose bleeds and other flu-like symptoms. In addition to these symptoms, some consumers became sensitized to formaldehyde and were forced to move out of their home.

The major objective of the work on formaldehyde emissions from pressed wood is to quantify the consumer exposure and health risks (acute and chronic) associated with formaldehyde emitted from these consumer products. Formaldehyde is known to cause a number of acute adverse health effects in humans and has been found to cause cancer in laboratory animals.

5. Nursery Equipment. There are 150,000 medically attended injuries and about 150 deaths each year on the average attributed to nursery equipment.

6. Portable Electric Heaters. On the average, over a ten year period, there were 555 injuries and 115 deaths each year.

7. Riding Mowers. There are 36,000 medically attended injuries and 100 deaths each year on the average.

8. Toxicity of Combustion Products. The number of deaths due to smoke inhalation have generally increased over the last decade. Based on the CPSC death certificate file for specific product involvement, deaths due to smoke inhalation for the years 1974-1978 increased from 56 percent in 1974 to 69 percent in 1978. In 1979 two statistical changes occurred. CPSC began computerizing all fire deaths, not just those specifying an associated product, and the national mortality cause-of-death nomenclature began to differentiate between inhalation deaths and deaths due to burns in structural fires. Deaths associated with smoke inhalation for 1979 and 1980 are 3,136 and 3,164 respectively which represent 65 percent and 67 percent of all structural fire deaths.

   In addition, an article by Hinkle and Murray 1/ cites the information that the inhalation of combustion products is estimated to be responsible for approximately 4,000 deaths and 63,000 disabling illnesses annually.

1/ Hinkle, L. E. and Murray, S. H., Quality of Indoor Air. Bulletin of the New York Academy of Medicine. Vol. 57, No. 10, December, 1981.

9. Safety for Older Consumers. There are a variety of products which are associated with injuries and deaths to consumers 65 years of age and older. For those products which are most frequently associated with injuries and deaths to this consumer group, the average number of medically attended injuries is 824,000. The average number of deaths is 2,800. The products associated with these injuries and deaths are addressed in the safety for older consumers project.

FY 1984 PRIORITY PROJECTS

Question: Two 84 priority projects, chain saws and smoldering ignition are not Commission priorities for FY 1985.

Would you please list the accomplishments during FY 1984 on each of these priorities?

Answer:

Chain Saws

The Commission's cooperative efforts with industry to develop a voluntary standard for chain saw kickback hazards continued at a high level throughout the past year. Hand held testing, energy level testing, analytical modeling and simulations, in-depth investigations and hazard analyses have led to the following major accomplishments:

- An acceptance criterion of 45° has been established as an upper limit on the kickback angle for all consumer chain saws. This criterion should lead to injury reductions of approximately 80 percent.
- Testing and labeling requirements have been established in the standard for "low kickback consumer replacement chain" allowing consumers ready identification of safer chains that can be retrofitted on more than 20 million chain saws already in the hands of consumers.
- Publication of the proposed voluntary kickback standard for public comment on February 29, 1984.
- Equipping approximately 80 percent of currently produced chain saws with the safety devices needed to limit them to a kickback angle of less than 45°.

Smoldering Ignition

The Commission's smoldering ignition program covers two projects: (a) upholstered furniture flammability, and (b) bedding fires.

In FY 1980 a Commission evaluation of Upholstered Furniture Action Council (UFAC) labeled residential upholstered furniture indicated that approximately 50 percent of this furniture resisted ignition by cigarettes. To further improve the cigarette ignition resistance, UFAC formed a Technical Committee of which the Commission is a member. A variety of new materials have been evaluated.

Laboratory tests indicate that two of these materials have a strong potential to improve cigarette ignition resistance. Requirements for these materials were incorporated into the UFAC Voluntary Action Program July 1, 1983. The Commission is currently evaluating retail residential furniture manufactured after July 1, 1983 to determine the effectiveness of these changes.

The objective of the bedding project is to reduce deaths and injuries from bedding fires. To determine the causes of these fires, in-depth investigations and samples from bedding fires will be analyzed. During FY 1983, primary concentration was on the acquisition of samples from bedding fires by field personnel. In FY 1984, analysis of data will be completed, and appropriate actions determined.

Question: What is the reason for dropping each of these from the priority list for FY 1985?

Answer:

Chain Saws

With a target date of January 1, 1985 for publication of the final voluntary standard and an already high level of compliance, the Commission does not see the need to continue the chain saw project as a designated priority for FY 1985. For that period of time in the fiscal year necessary to finalize the standard (approximately the first quarter), the project will continue to be fully funded.

Smoldering Ignition

On July 1, 1983, UFAC incorporated new technical improvements into their Voluntary Action Program. In order to check the effectiveness of these changes in retail furniture, the Commission is currently testing residential furniture manufactured by UFAC members after July 1, 1983. The work will be completed in FY 1984. The goal accepted by UFAC was to have at least 80 percent of the furniture on the market resistant to cigarette ignition. With the recent changes in the industry voluntary program, the probability of achieving cigarette ignition resistance approaching 80 percent is believed to be good. Assuming this goal is achieved, a Commission priority project would no longer be necessary in FY 1985. However, the Commission intends to continue to work with the upholstered furniture industry to implement further needed improvements in cigarette ignition resistance.

Commission action on bedding fires will depend on the results of the current investigations. The need for and scope of a future program in this area will be determined when these results are available.

Question: Why were juvenile sports equipment and poison prevention packaging removed from the FY 1984 priority list?

Answer: In reviewing projects for FY 1984, the Commission determined that although work should continue in the juvenile sports and poison prevention packaging areas, the projects did not require priority, fully funded status. Section 15 and fire toxicity were selected as areas which deserved greater attention and were therefore, added as new FY 1984 priorities.

FUTURE HIGH PAYOFF AREAS

Question: The CPSC is to be commended for its activities leading to the significant reduction in toy related injuries that is described in your opening statement.

In what specific area do you think the CPSC might have a similar dramatic impact by reducing the frequency of accidents or ameliorating injuries over the next six years?

Answer: Chain saws, lawn mowers, hair dryers and electric blankets, where significant changes in standards have been made or will be made in the near future, are likely to have dramatic impact in reducing injuries (i.e., chain saws approximately 80 percent effective in eliminating kickback injuries, lawn mower blade contact injury reduction of 70 percent, reduction of hair dryer electrocutions, and greatly reduced electric blanket fires).

Changes recently incorporated by industry in upholstered furniture show a strong potential for reducing deaths and injuries as a result of cigarette ignitions. Due to the long useful life of upholstered furniture, these reductions will take a number of years to become dramatically evident.

In the area of indoor air quality the Commission sees a reduction in the present numbers of deaths, injuries and adverse health effects resulting from improved fuel fired heaters and appliances. These improvements may range from the use of oxygen depletion sensors to better burner design to use of improved fuels. In addition, an active consumer education program will result in further reductions in consumer deaths and injuries.

Fire toxicity is another area where there may be a future high payoff. Extensive studies to identify and characterize toxic combustion products and their relationship to injuries and deaths are currently underway at both CPSC and other Federal agencies as well as in State and private laboratories. Research efforts have expanded, and through coordination of these efforts and information exchange the base of knowledge is rapidly increasing. It is anticipated that this broad base of knowledge in conjunction with the development of fire hazard models based on actual fire scenarios will provide the necessary basis for reducing the combustion toxicity hazard.

GRACE COMMISSION RECOMMENDATIONS

Question: The Grace Commission Report recommends:

- Reduction in CPSC existing staffing levels because of overlapping administrative responsibilities and reduction of the number of management positions which could produce a 3 year savings of $3,800,000.

- A reduction of 22 positions should be made in the Administration Directorate.
- The 2 separate CPSC Headquarters locations should be consolidated.

Would you please discuss each of these recommendations and the feasibility of implementing them?

Answer:

Reduction of Positions

The Grace Commission bases part of this recommendation on a belief that the Office of Program Management (OPM) is not necessary. As discussed later in this response for the record, the Commission believes that OPM does not create administrative overlap, and is an essential organization which provides management control over hazard program activities. In other areas, the Commission has streamlined management by eliminating two Directorates and reducing the number of regional offices, and has taken other steps to reduce the number of management and supervisory positions. CPSC will continue to strive for improvements in this area.

When management or supervisory positions are eliminated, the Commission uses these positions to replenish professional and clerical resources needed to conduct the agency's work. The Commission's personnel levels have been reduced from 889 full-time equivalent positions (FTE's) in FY 1981 to 587 FTE's in FY 1985.

Reduce Administration

In FY 1983, the Commission utilized 97 full-time equivalent work years (FTE's) for the Administration Program. This represents over 15 percent of all Commission FTE's used that year. The Commission has set goals of holding administrative resources to 13 percent in FY 1984 (79 FTE's) and 12 percent in FY 1985 (72 FTE's). From FY 1983 to FY 1985, CPSC plans to reduce FTE's for administration activities from 97 to 72; this is a 25 FTE decrease.

The Commission is attempting to reduce the size of the Administration Directorate by streamlining functions and eliminating less essential services. The purpose of this effort is to increase the resources available for programmatic efforts.

Consolidate Headquarters Offices

The Grace Commission recommended that the Commission consolidate its Headquarter Offices in Bethesda. A majority of the Commission believes that a CPSC office is necessary in Washington, D. C. to provide access to the public and media and to maintain close contact with the Congress, Office of Management and Budget (OMB) and other parties. Only minimal space and essential personnel are located in Washington. Originally three floors were occupied at the Logan Building location; to reduce costs, two floors were relinquished. One floor (10,000 square feet) and one conference room are maintained at Logan.

The Commission continues to regularly evaluate the possibility of total consolidation in downtown Washington, D.C.

Question: Do you feel that a reorganization of the present "Matrix" system, which might reduce the overlap in administrative responsibilities between the Office of Program Management and the Directorates, would be beneficial?

Answer: The Commission at this point has taken no position on this recommendation but will be studying the issue.

The Commission assigns non-chemical programmatic work to permanent hazard teams managed by OPM. The removal of a staff organization like OPM from the agency's organizational structure would force the Commission to rely on several organizations, none of which is subordinate to another, to provide multidisciplinary management of projects. The existence of OPM hazard program managers and their multidisciplinary teams from the various Directorates and Offices provides the following benefits:

- The ability to maintain continuity or "institutional memory" in a hazard program area for the efficient planning and execution of projects;

- The ability to develop comprehensive programmatic recommendations for Commission action that represent a balance of viewpoints from among the technical disciplines (e.g., economics, engineering, epidemiology); and

- A mechanism for resolving at the agency staff level any interorganizational or inter-disciplinary disagreements before recommending specific Commission actions to address a product hazard.

Question: Is there a way that CPSC can reduce the high ratio of managers to professional staff in the Directorates without diluting the safety payoff?

Answer: Because of the highly technical nature of the Commission's work, CPSC requires an experienced staff; in addition, close supervision and management of the agency's scientific and legal work is essential to ensure proper and appropriate Commission decisions. These factors tend to create a high ratio of supervisors to staff.

Nevertheless, the Commission and agency management are attempting to reduce supervisory ratios by reducing the number of Deputy Director positions, consolidating smaller units, and streamlining management by eliminating supervisory positions. Positive action in these areas has occurred during the past three years and will continue in the future.

HOME SAFETY AUDIT EVALUATION

Question: The CPSC is undertaking a program to perform safety audits in the homes of older consumers in Philadelphia, Pennsylvania and Green Bay, Wisconsin.

What quantitative results from these audits would convince you that such programs are worthy of expansion and implementation at a national level?

Answer: The information and education evaluation study was developed in cooperation with the staff of CPSC's Congressional Appropriations Subcommittees. This evaluation effort is designed to provide for a comparison of the effectiveness of home audits as an information and education methodology as compared with a more traditional information and education campaign methodology, mailing materials to households. Attitudes and behavior related to home safety will be measured prior to and following both types of information and education programs in order to allow for a comparison of the changes effected by home audits versus mailings. In addition, the Commission will be obtaining information on the costs associated with each type of campaign in order to develop some crude cost-benefit analysis. Therefore, if quantitatively, home audits are found to be more cost effective than the mail approach, the agency would consider such programs worthy of expansion and implementation at the national level. However, it is important to note that there must obviously be considerable value judgment used in a cost-benefit analysis. For example, what is the value associated with the installation of a smoke detector compared with instituting the practice of unplugging electric appliances when they are not in use? Nevertheless, this effort will play an important role in determining the future direction of information and education activities for senior consumers.

Question: Existing agencies such as utility companies are now conducting energy audits in homes across the nation. Do you think that could be used as a basis to expand the older consumer safety audit program to the national level?

Answer: Using utility companies to further the effort of improving the safety of older consumers would be a logical component in our safety for older consumers project in FY 1985. In addition, the Commission will be working with various Federal, State and local government agency networks that serve older Americans, as well as private and non-profit service organizations that also serve this constituency.

I&E CAMPAIGN EVALUATIONS

Question: Would you please provide a brief description of the status of each of the three CPSC information and education campaign evaluations that the Subcommittee has directed the Commission to undertake?

Answer: Study questionnaires for evaluating each of the three information and education campaigns have been prepared and have received Office of Management and Budget clearance. Currently, proposals for a contract for the evaluation effort are being reviewed; a contract should be awarded in the near future. In addition, we are building data files of consumers who have requested electrical safety audit checklists and specific home heating brochures. (To date our Washington Headquarters has received over 64,000 requests from the General Federation of Womens

Clubs for Electrical Safety Audit Checklists and nearly 1,000 requests for home heating brochures.) These consumer lists will form the sampling frames for selecting consumers for evaluating the electrical safety and home heating information and education campaigns.

FIELD PERSONNEL

Question: Your budget justification indicated you are proposing 146 full-time positions in your regional offices for FY 1985.

How many full-time employment equivalents is this for FY 1985?

Answer: In FY 1985 the Regional Offices have been allocated 159 FTE's.

Question: What were the number of FTE's for FY 1983 and FY 1984?

Answer: For FY 1983 and FY 1984, the Regional Offices were allocated 156 and 160 FTE's respectively.

Question: One of the diverse tasks of these personnel is to do in-depth accident investigations to identify causal factors.

The National Highway Traffic Safety Administration of the U.S. Department of Transportation is concerned enough about consistency in coding of accident data that their investigators undergo a five week training program to enable them to identify causal factors and injury producing mechanisms.

What leads you to believe that your field personnel are qualified to investigate product related injuries; and what level of inter coder reliability does the data have?

Answer: The Commission relies on three major tools to assure that field personnel are qualified to conduct investigations and that investigation reports provide consistently useful information to the Commission:

1. Training Courses for Investigators

All field supervisors and most investigators have attended at least one training course. Many field staff have attended several of these courses. Although formal training courses have been reduced in recent years because of budget cuts, training has been provided by sending expert Headquarters' staff to four of the five Regional Offices in FY 1984 to provide on-site training to the investigators and supervisors in those offices; the fifth Regional Office will receive this training later this year.

Newly hired investigators receive a thorough orientation on investigative procedures from their supervisor and review video tapes made during the Basic Investigation Course presented in 1975. On-the-job training also includes newly hired investigators accompanying experienced investigators during the first months on the job.

2. Investigation Procedures Manual

An Investigation Procedures Manual of over 500 pages has been issued to each investigator. This manual contains detailed instructions on general investigation procedures and provides specific information on data requirements and investigation procedures within those hazard areas of current interest to CPSC. The latest edition was issued January 28, 1983, and the latest revision was issued January 23, 1984.

3. Supervisory and Analytical Review

Each investigation is reviewed and endorsed by a Regional Office supervisor, a Headquarters' data collection specialist, and the analyst responsible for reporting to the Commission on the hazard covered by the report. Comments from Headquarters reviewers are forwarded back to the investigator along with any requests for further information. This process is a major factor in assuring reliability and consistency among different investigators.

The typical investigation involves on-site interviews, photographs, and a reenactment of the incident and is documented in a detailed multipage typewritten report. These investigations are generally conducted by experienced professional investigators. No quantitative measures of inter-investigator reliability are available, however, the three tools discussed above provide investigators with detailed background on data requirements and investigative procedures and, the analyst's involvement in a feedback loop assures consistency, reliability, and validity among investigators.

Question: Please provide for the record details of the training your field personnel undergo that investigate accidents.

Answer:

Accident Investigation Training Courses

Date	Course	Training Institution	Duration
1974	Textiles	Clemson University	5 days

This course addressed the flammability of fabrics. It covered manufacturing processes, flame retardance, flammability testing, investigation procedures, and investigator responsibility.

Date	Course	Training Institution	Duration
1975	Basic Investigation	University of Iowa	4 days

This course covered basic investigation techniques. Emphasis was on the host, product, environment inter-relationship.

Date	Course	Training Institution	Duration
1976	Formal Investigational Training	University of Iowa	4 days

This investigation course broadened the investigators' exposure to a greater number of consumer products. Emphasis was on products that presented a flammability hazard or created a mechanical hazard.

Date	Course	Training Institution	Duration
1977	Systems' Approach to Investigations	Colorado State University	4 days

This course involved the epidemiology of accidents, particularly the search for determinants of the accidents. Emphasis was on the causation of accidents involving electrical products.

Date	Course	Training Institution	Duration
1980	Human Factors	Contractor	3-1/2 days

This course was designed to familiarize the field investigator with the role and importance of human factors in hazard identification programs. Emphasis was on the identification and collection of human factors data to increase the analyst's understanding of the accident.

Date	Course	Training Institution	Duration
1980	Fire Investigation Training	U.S. Fire Marshal's Office	5 days

This course covered the chemistry of fire, elements and types of fire causes, causal factors, and accident reconstruction methodology. It also included evidence documentation and report development.

Date	Course	Training Institution	Duration
1983	Supervisor's Training	Headquarters' Units	5 days

This course was designed to provide field supervisors with up-to-date information on products and hazards currently being studied and addressed by the Commission. Attention was also given to both the Epidemiology and Compliance Directorate involvement in the issues.

IN-HOUSE COMPUTER CAPABILITY

Question: One of the Grace Commission recommendations is the development of in-house CPSC computer capabilities as opposed to the use of time sharing services. During FY 1983 this Subcommittee suggested you review your time sharing contract and see whether an in-house capability would be less expensive.

What is the present status of your review?

Answer: For the past several years, CPSC has been actively investigating alternatives to the time sharing services provided by the Parklawn Computer Center (PCC). Of all the alternatives available to develop the in-house computer capabilities referred to in the Grace Commission report, CPSC has chosen to pursue the computer facilities management approach because it offers the most expeditious and economical solution to the problem. This approach has allowed CPSC to comply with all the General Services Administration and Office of Management and Budget regulations governing the procurement of computer systems and support.

CPSC's objective in pursuing a contract for computer facilities management services during FY 1983 was to save money by reducing the total costs to the agency for its automated data processing (ADP) support and services. To accomplish this in the most timely fashion and, therefore, generate the greatest savings, an 8(a) set-aside process was initially used.

After reviewing the costs proposed by the prospective contractor to provide the services needed by CPSC, it was decided on September 26, 1983, that when the cost savings were considered in relation to the risks--possible disruption of services, technical problems, etc.--associated with the move from the PCC, it was not beneficial to proceed, at this time, with the computer facilities management contract as it was initially proposed.

Since the end of FY 1983, CPSC staff have refined the system requirements as a result of lessons learned during the initial procurement process and input from OMB. The Commission is currently further refining the system requirements by arranging for the input of an expert consultant in this area. After that, CPSC proposes to fully compete the requirement to determine if additional savings can be realized by contracting with a commercial vendor for the services or if ultimately a more cost effective and better quality system is achieved by remaining with the Food and Drug Administration's PCC for all CPSC ADP support.

Question: What specific cost/benefit analysis have you performed on in-house vs. contractor computer services?

Answer: During FY 1982 and the first quarter of FY 1983, the Consumer Product Safety Commission performed a cost study to consider the feasibility of acquiring its own hardware and software computer facilities instead of continuing to utilize the Food and Drug Administration's Parklawn Computer Center in a time-sharing environment.

The Commission performed a cost analysis which resulted in an independent government cost estimate indicating that CPSC could reduce its annual costs for computer support considerably, if an in-house capability was acquired. The Commission's cost analysis was accomplished by identifying all software products used by CPSC at PCC, determining the space required for Commission files and programs, and estimating the computer power necessary to support CPSC.

In April of 1983, based on this information, a computer facility was configured on paper for the Commission which included necessary hardware, software and support personnel. From these requirements, the independent government cost estimate developed.

This cost information was presented to the Grace Committee representatives and became the basis for their recommendations contained in their report entitled "President's Private Sector Survey on Cost Control" and the CPSC effort to contract for computer facility management services.

BILL LANGUAGE

Question: This year, you are once again suggesting that three provisions contained in the FY 1984 bill be deleted in FY 1985. These provisions are the references to:

- hire of passenger vehicles
- GS-18 pay cap on consultant services
- restricting funds to the acquisition and conversion of existing laboratories.

Could you please explain the reason for each of these proposed changes?

Answer: The Office of Management and Budget (OMB) suggested the deletions as part of an effort to simplify language and reduce the number of pages of the President's Budget. The Commission agreed to eliminate the three provisions for the following reasons:

1. The reference to hire of passenger vehicles was eliminated because OMB was supposed to add CPSC to the language included in the general provisions of OMB's proposed appropriation language in the FY 1985 Budget Appendix on page I-L35 (section 401). Apparently, OMB neglected to make this change. Therefore, language covering CPSC should be added to the general provisions or be retained in the specific language for CPSC.

2. The reference to a GS-18 pay cap for consultant services was eliminated because this language is contained in the general provisions of OMB's proposed appropriation language in the FY 1985 Budget Appendix on page I-L35 (section 407). The language repeats section 408 of the general provisions of the FY 1984 Department of Housing and Urban Development-Independent Agencies Appropriation Act.

3. The reference to restricting funds to the acquisition and conversion of existing laboratories was deleted by OMB because section 32(b)(1) of the Consumer Product Safety Act requires the Commission to obtain advance approval from Congress for planning and construction of research, development and testing facilities involving expenditures in excess of $100,000. The Commission believes that this language provides adequate Congressional oversight of laboratory expenditures and that the language in the previous appropriation bill is not necessary.

PRODUCT RECALLS

Question: Would you please provide a table, for the record, listing section 15 product recalls and regulated product recalls for each year from 1979 to 1983?

Answer: The following table provides the data requested:

Section 15 Product Recalls

FY	Number of Recall Actions Initiated	Number of Products Involved	Number of Products Corrected to Date
1979	198	53,555,927	4,443,950
1980	132	23,310,834	3,629,726
1981	99	2,475,455	635,375
1982	91	2,570,117	460,913
1983	113	23,253,383	1,253,383

Regulated Product Recalls

FY	Number of Recall Actions Initiated	Number of Products Involved	Number of Products Corrected to Date
1979	347	4,478,863	297,728
1980	456	3,189,775	615,788
1981	251	3,336,022	594,518
1982	72	1,109,138	550,390
1983	66	11,312,953	315,295

FUNDING OF PRIORITIES

Question: In the past the Subcommittee has discussed the level at which CPSC priority projects should be funded. Your testimony indicated that an estimated 14 percent of the FY 1983 and 15 percent of the FY 1984 total resources were planned for priority projects.

What was the actual percentage for FY 1983?

Answer: The percentage of total resources devoted to priority projects in FY 1983 was 12 percent.

Question: What are the present estimated percentages for FY 1984 and FY 1985?

Answer: The estimated percentage of total Commission resources planned for priority projects in FY 1984 and FY 1985 are 25 percent and 12 percent respectively. The relatively large percent of resources allocated to priority projects in FY 1984 is due to the selection of section 15 work, a high resource level project, as a FY 1984 priority.

Question: Last year you indicated that no additional funds could be productively devoted to any of the priority projects. Has your experience in the past year changed your opinion?

Answer: No. In FY 1983, while some priority projects required more resources than anticipated; others required less resources. In total, the resources allocated to priority projects were more than adequate.

Senator Garn—Continued

Question: Could additional funds for any of the FY 1985 priority projects affect the timeliness of the work? If so would you please provide details for the record?

Answer: The Commission's priority projects for FY 1985 have been fully-funded to the extent that allocating additional resources for these efforts would not affect the timeliness of the work.

FOIA REQUESTS

Question: Would you please describe the status of the backlog of Freedom of Information Act (FOIA) requests?

Answer: The current inventory of FOIA requests not completed is 1,283 requests, as of March 1, 1984. Approximately 600 of these requests involve processing of requested materials pursuant to section 6(b) of the Consumer Product Safety Act. The inventory of FOIA requests was 1,506 at the end of FY 1983 and 2,071 at the end of FY 1982. During FY 1983, the Commission received 11,603 FOIA requests and responded to 12,261 FOIA requests. During the five month period of October 1983 through February 1984, the Commission received 4,088 requests and responded to 4,343.

DEATHS CAUSED BY FIRES

Question: In your opening statement you mention smoke detectors and the design of improved cigarette ignition resistance of upholstered furniture as a means of combating home fires.

Are you aware of any research conducted on self-extinguishing cigarettes?

Answer: The Center for Fire Research at the National Bureau of Standards has developed a test method and carried out limited investigations on the propensity of a variety of cigarette brands to ignite fabric/filling combinations. The Canadian government is investigating cigarette ignitions of mattresses and upholstered furniture, with particular emphasis on the effect of "self-extinguishing" cigarettes on ignitions. A variety of "self-extinguishing" cigarettes have been evaluated. Burning temperatures were found to range from 690°C to 750°C. When burned on mattress mock-ups consisting of 100 percent cotton ticking over 100 percent cotton batting, all caused ignitions. The Commission is not aware of any studies on self-extinguishing cigarettes by U.S. tobacco companies.

Question: Based on fires in the home what would you estimate the annual potential financial savings from such a product?

Answer: In 1982 a total of 38,900 fires resulted from the ignition of upholstered furniture and bedding by cigarettes. These fires resulted in an estimated $267,300,000 property loss. This does not include financial losses due to the 5,100 injuries and the 1,490 deaths resulting from these fires. It is not possible, with information currently available, to estimate what portion of these losses could be saved by self-extinguishing cigarettes.

Question: Do you think a self-extinguishing cigarette would be cost effective?

Answer: The cost effectiveness of a self-extinguishing cigarette will depend on (a) the cost of producing such a cigarette, and (b) the effectiveness of the cigarette in eliminating smoldering ignitions. Since neither of these items is known, it is not possible at this time to determine whether a self-extinguishing cigarette would be cost effective.

INDOOR AIR QUALITY

Question: What activities have you engaged in that relate to indoor air quality over the last three years?

Answer: The Consumer Product Safety Commission has a long history of involvement with the issues affecting indoor air quality because most sources of indoor pollutants fall under its jurisdiction. Many years before indoor air quality became a national issue, CPSC was taking action to protect the public from indoor exposure to hazardous chemicals.

During the past few years, however, CPSC has focused even more of its attention and its limited budget and staff resources on finding solutions to the problem of indoor air pollution. The highest priority has been given to reducing indoor exposure to formaldehyde by decreasing the emissions from pressed wood products and preventing hazardous indoor exposure to carbon monoxide, nitrogen dioxide and other combustion pollutants, from unvented heating and cooking appliances.

The Commission has also sought to add to the very limited available data base on residential pollutants by conducting a nine-month study which identified residential pollutants, their levels, daily and seasonal variation, occurrence of peak levels and the effects of temperature and humidity.

Recognizing the need for coordination of all activities in indoor air quality the Commission testified before the House Committee on Science and Technology in August, 1983 concerning the need for a Federal Committee on Indoor Air Quality. We now serve as co-chairs of that committee with the Environmental Protection Agency, Department of Energy, and Department of Health and Human Services. We were active in the formation and functioning of the preceding committee, the Ad-hoc Interagency Committee on Indoor Air Quality Research, and participated in the first International Conference on Indoor Air Quality in Amherst in 1981.

Nature of the Hazard

Indoor air pollution, a problem which has recently attracted significant governmental and scientific attention, originates primarily from products used in our homes. Recent air sampling has established that, in some older homes, but especially in new energy-efficient homes, pollutants can exceed established national health limits. Many of these pollutants are the same as those in the ambient air and the workplace, locations which have been studied extensively. but to date, there have been few studies of health effects resulting from exposure to toxic substances in homes and public buildings.

Efforts to improve air quality have focused largely on controlling sources of outdoor pollution and reducing occupational exposure. The growing recognition that significant levels of hazardous pollutants are generated indoors is but one factor that has caused scientists and health officials to reconsider the traditional emphasis on outdoor air alone. Other significant factors are:

- Americans spend about 90 percent of their time indoors;
- indoor exposures are often unrecognized; and
- among the exposed are our most vulnerable individuals--young children, the aged, and the ill.

The National Academy of Sciences (NAS), in its 1981 report Indoor Pollutants, addresses the question of the quality of indoor environments. The study sought to identify the indoor sources of these pollutants and to evaluate (1) their known effects on human health and welfare; (2) the techniques for measuring and estimating human exposure; and (3) the methods and strategies for controlling the pollutants. The NAS Committee on Indoor Pollutants set out to "review, compile and appraise the available knowledge" on potential adverse health effects of indoor pollutants. The Academy concluded that the quality of the indoor environment is a matter of immediate and great concern. In order to focus directly on the problem, the NAS Committee limited its study to several pollutants found in homes and public buildings for which "human exposures are large and common enough to account for substantial morbidity and premature mortality." Those of interest to the Commission are:

- Formaldehyde - released from urea-formaldehyde foam insulation, particleboard, plywood, and fabrics containing formaldehyde-based resins; known to cause irritation and sensitization in humans, and nasal cancer in laboratory animals.
- Asbestos - fibers released from insulation and other building materials during installation or when the surface is disturbed by deterioration, renovation, or other human activities; known to cause lung cancer and mesothelioma (cancer of the lining of the thoracic and abdominal cavities).
- Indoor combustion products - carbon monoxide, nitric oxide, nitrogen dioxide, formaldehyde, and carbon particles from unvented gas appliances, as well as from wood and coal-burning space heaters and fireplaces. Carbon monoxide and nitric oxide combine with hemoglobin and reduce the blood's ability to carry oxygen to the cells. Studies cited by the committee reported a higher incidence of respiratory illness and dysfunction among children living in homes with gas cooking stoves than among those with electric cooking stoves.

- Microorganisms and allergens - bacteria, viruses, and fungi increase, as does the likelihood of their causing infection when ventilation is reduced.

The committee also expressed concern over the many organic pollutants possibly found in indoor air, but pointed out that little is known about these substances.

The Academy presents extensive conclusions in the general areas of health effects, economic considerations, and control strategies. Those of most significance to the Commission are paraphrased, or wher appropriate, quoted directly in the following sections:

Number of Injuries/Deaths/Illnesses Associated With Hazard:

- "Comparison with reported indoor concentrations makes it evident tha --by some established ambiant, occupational, or indoor standards--current exposures to some contaminants indoors could constitute a health risk to occupants."
- Because many Americans spend 90 to 95 percent of the day indoors, it is the indoor concentration of many pollutants which is of greatest significance in evaluating the pollutants potential to cause health effects, loss of productivity, discomfort, or material damage.
- "For specific indoor contaminants, two basic inadequacies in the available data must be resolved rapidly: poor definition of population exposures and lack of understanding of the health and welfare consequences of exposure to contaminants in the indoor environment."
- "The committee believes that the research efforts to characterize indoor air pollution and human exposures indoors must continue and intensify, if we are to determine total human exposure to pollutants and understand environmental contamination and its effect on health and the quality of life."
- The contents of consumer products should be investigated, and the chemical constituents should be tested for their toxic, mutagenic, carcinogenic, and teratogenic properties.... Their synergistic and interactive effects with other indoor pollutants should be tested."
- Environmental air contaminants that are liberated indoors are an important stress on human health and welfare.

Sources and Potential Control Strategies

- "The potential for consumer products to contaminate the indoor environment needs to be evaluated.... Testing in homes is needed to assess the extent of contamination, allergic reactions, and other health effects of ... consumer products."

Current Commission programs focus on:

- Reducing the pollutant emissions, particularly of nitrogen dioxide, from kerosene heaters, unvented gas space heaters and gas cooking stoves. Encouraging the development of systems, including thermal spill switches and flue gas and carbon monoxide detectors, to prevent potentially deadly exposures from inadequately vented heating appliances.

- Evaluating the indoor pollutant emissions and potential health hazards from coal and wood stoves and seeking design solutions if warranted.

- Reducing formaldehyde emissions from pressed wood products such as particleboard and plywood.

- Evaluating the degree of exposure to, and the potential hazard from, volatile organics like benzene, methylene chloride, perchloroethylene and phthalates from various sources in the home.

- Assessing the degree of exposure to asbestos fibers in the home from the use of consumer products that contain and release asbestos as well as from the use of asbestos as thermal insulation, and in household and building materials.

A chronological history of CPSC activities in Indoor Air Quality follows.

1984

1. General

   - complete literature review papers on health effects of volatile organic compounds;

   - update literature reviews completed previously on health effects of carbon monoxide, carbon dioxide, nitrogen oxides and sulfur dioxide;

   - prepare papers on particulates, polynuclear aromatic hydrocarbons, and benzopyrenes;

   - participate as member of advisory committee to Southern California Gas Company indoor air quality study;

   - present papers on science and policy issues at

     - International Conference Indoor Air - Sweden, August 1984
     - American Gas Association Conference
     - American Chemical Society Formaldehyde Symposium, May 1984

2. Kerosene Heaters

   - test new technology heaters in CPSC laboratories;

   - test add-on devices for pollutant reductions in CPSC laboratories;

   - participate in CPSC-initiated voluntary standards activity with industry, consumers, and Underwriters Laboratories.

3. Unvented Gas Space Heaters

   - consumer use survey with Gas Research Institute;

   - study of pollutant levels in homes--contract at Oak Ridge National Laboratory (ORNL);

   - test new technology heaters--contract at Lawrence Berkley Laboratories (LBL);

   - participate in CPSC-initiated technical working group with gas industry and consumer groups;

   - test new designs of reduced emission gas space heaters at CPSC laboratories.

4. Coal and Wood Burning Stoves

   - study pollutants indoors from non-airtight stoves--contract at Tennessee Valley Authority (TVA);

   - review study of airtight stoves done by TVA.

5. Gas Ranges and Stoves

   - prepare review of laboratory studies on emission factors.

6. Particle Board/Plywood

   - study emissions of formaldehyde--contract with ORNL;

   - develop indoor air mathematical model with measurements in houses with known physical characteristics;

   - validate mathematical model for formaldehyde--contract with ORNL;

   - update and complete review of health effects of formaldehyde;

   - complete review of formaldehyde sensitization.

7. Asbestos

   - complete laboratory testing of selected products to determine fiber release;

   - monitor homes for airborne fibers;

- survey homes to determine the type and extent of asbestos use in the past.

8. Volatile Organics (VOCs)

- complete study of VOCs in selected homes--contract with ORNL;
- complete study of passive monitors for formaldehyde;
- survey consumer use of products containing methylene chloride;
- determine consumer exposure to methylene chloride--contract with LBL;
- survey consumer use of coin-operated dry cleaning machines to determine potential exposures to perchloroethylene.

1983

- completed review of health effects associated with pollutants emitted from unvented fuel burning appliances;
- completed field monitoring study of consumer exposure and use of kerosene heaters--contract with Pierce Foundation at Yale University;
- chamber study of emissions from kerosene heaters--CPSC laboratory;
- chamber study of unvented gas space heaters--contract with LBL;
- field study of pollutant concentrations from unvented gas space heaters--contract with LBL;
- completed development of mathematical models to estimate air infiltration record and concentrations of pollutants in homes;
- measured levels of certain pollutants in homes to determine variation over time--daily and weekly, for three seasons--contract with ORNL;
- determined emission of formaldehyde from a broad spectrum of consumer products--contract with the Inhalation Technology Research Institute;
- determined emission of formaldehyde and contribution to indoor levels from fibrous glass insulation and ceiling tiles--contract with ORNL;
- measured the emission of fibers from asbestos containing consumer products--CPSC laboratory;
- convened a Chronic Hazard Advisory Panel on asbestos and published report;

- assessed potential inhalation exposure to di(2-ethylhexylphthalate) from household products.

1982

- testing for volitalization of phthalates from consumer products;
- in-home monitoring study at ORNL;
- ban of urea formaldehyde foam insulation;
- Asbestos-in-the-Home Booklet;
- assessment of solvents in aerosols.

1981

- assessment of aerosol propellants;
- assessment of n-hexane;
- voluntary withdrawal of tri-chlor-ethylene, a suspected carcinogen, from consumer products.

1979

- proposed ban of intentionally added benzene or products with over 0.1 percent benzene.

1978

- ban of self-pressurized products containing vinyl chloride.

1977

- ban of artificial emberizing materials containing respirable free-form asbestos;
- ban of consumer patching compounds containing respirable free-form asbestos.

Question: What has been the funding each year from FY 1981 to FY 1985 for activities that relate to indoor air quality?

Answer: Funding for all aspects of indoor air quality work for FY 1981 to FY 1985 is as follows:

	Funds
FY 1981	$703,000
FY 1982	$1,614,000
FY 1983	$1,238,000
FY 1984	$1,973,000
FY 1985	$1,838,000

Question: Has the President designated a lead agency for these activities?

Answer: No agency has been designated as the lead agency. The Environmental Protection Agency, Department of Energy, Consumer Product Safety Commission, Department of Health and Human Services and other agencies are coordinating their activities on indoor air quality through an interagency committee, the Federal Committee on Indoor Air Quality.

Question: Is this an appropriate activity for CPSC?

Answer: It would be appropriate for CPSC to be the lead agency in the area of indoor air quality. The quality of indoor air in the residences and schools is affected by structural materials, furniture, furnishings, use of combustion sources--e.g., gas ranges and stoves, unvented gas or kerosene heaters--and consumer products including hobby materials. All of these products are under the jurisdiction of CPSC and the Commission has been actively involved with the health and safety issues associated with each of them.

SUMMARY OF RESOURCES

Question: Would you please provide a table for the record comparing the CPSC annual resources for FY 1983, FY 1984 and the estimates for FY 1985? Please use the same level of detail as contained in enclosure "A" of your February 27, 1984 letter to the Subcommittee. In the same table please compare the 9/83 FY 1985 estimate to the 1/84 FY 1985 estimate.

Answer:

U. S. CONSUMER PRODUCT SAFETY COMMISSION

SUMMARY OF RESOURCES FOR FY 1983, 1984, and 1985
(Funds in Thousands of Dollars)

	FY 1983 Actual		FY 1984 Estimate		January FY 1985 Estimate		Difference 1984 - 1985		September FY 1985 Estimate		Difference FY 1985 Sept.-January	
	FTE's	Funds	FTE's	Funds	FTE's	Funds	FTE's	Funds	FTE's	Funds	FTE's	Funds
I. Commission Policy Development and Direction	68	3,677	69	3,890	68	4,081	-1	+191	69	3,958	-1	+123
II. Product Safety and Enforcement												
Executive Direction	24	1,320	21	1,173	21	1,270	--	+97	21	1,237	--	+33
Hazard Programs												
Emerging Hazards	27	1,370	30	1,810	31	1,873	+1	+63	34	2,113	-3	-240
Fire/Thermal Burn	28	1,691	32	2,457	29	2,046	-3	-411	31	2,285	-2	-239
Electrical	13	766	12	687	15	1,001	+3	+314	17	1,059	-2	-58
Chemical	48	2,691	48	3,004	48	3,097	--	+93	51	3,465	-3	-368
Children's/Recreational Products	9	510	11	739	12	637	+1	-102	13	897	-1	-260
Power Equipment	21	1,056	19	1,098	18	1,192	-1	+94	20	1,267	-2	-75
Household Structural Products	13	598	7	600	8	497	+1	-103	8	505	--	-8
On-Going Activities												
Hazard Identification and Analysis	35	2,999	34	3,330	35	3,356	+1	+26	34	3,450	+1	-94
Engineering and Sciences	16	1,011	13	932	12	837	-1	-95	14	973	-2	-136
Information and Education	28	2,025	28	2,186	27	2,111	-1	-75	28	2,179	-1	-68
Compliance and Enforcement	46	2,458	45	2,565	45	2,637	--	+72	48	2,805	-3	-168
Field Activities	156	6,730	160	6,736	159	6,858	-1	+122	168	7,159	-9	-301
(Subtotal Product Safety and Enforcement)	464	25,225	460	27,317	460	27,412	--	+95	487	29,394	-27	-1,982
III. Administration and General Support	97	4,871	79	3,793	72	3,507	-7	-286	74	3,648	-2	-141
Unobligated Balance Lapsing		265										
Total, Commission Resources	629	34,038	608	35,000	600	35,000	-8	--	630	37,000	-30	-2,000
Workyears Subject to Ceiling	616		595		587		-8		620		-33	
Reimbursements		393		350		350				350		
GRAND TOTALS		34,431		35,350		35,350				37,350		

Senator Garn—Continued

EXPLANATION OF PROGRAM CHANGES (FY 1983 TO FY 1985)

Question: Would you please provide for the record a copy of Enclosure "B" to your February 27, 1984 letter to the Subcommittee which provides a brief explanation of the program changes from FY 1983 to FY 1985?

Answer:

Explanation of Changes
FY 1983 to FY 1985

Commission Policy Development Program

FY 1983-FY 1984 (+$213,000)

- Increased funds cover cost of living salary increases.

FY 1984-FY 1985 (+$191,000)

- Increased funds are requested to cover cost of living salary increases, increased medicare costs and with-in grade pay increases.

Executive Direction Program

FY 1983-FY 1984 (-$147,000)

- The personnel level of the Office of Budget, Program Planning and Evaluation was reduced by 3 full-time equivalent positions (FTE's) in order to provide additional resources for the hazard programs. The dollar decrease is a result of the salary savings from these positions.

FY 1984-FY 1985 (+97,000)

- Increased funds are due to cost of living salary increases.

Emerging Hazards Program

FY 1983-FY 1984 (+$440,000)

- The increase in funds is due to the selection in FY 1984 of the product safety assessment/section 15 project as a Commission priority project. Commission priority projects receive full-funding.

FY 1984-FY 1985 (+$63,000)

- The increase in funds is again due to the addition of resources to the product safety assessment/section 15 project.

Fire and Thermal Burn Program

FY 1983-FY 1984 (+$766,000)

- o The increase in resources is due to the selection of three Commission priority projects in this program: smoldering ignition; gas heating systems; and fire toxicity. Commission priority projects receive full funding.

FY 1984-FY 1985 (-$411,000)

- o The reduction in resources is due to decreases in positions and funds for the Commission's coal/wood heating equipment project, chimney project and fire growth project in order to provide additional resources for priority projects. In addition, the coal/wood heating equipment project received substantial contract funds at the end of FY 1983 which will provide needed contract work through FY 1985.

Electrical Hazards Program

FY 1983-FY 1984 (-$79,000)

- o Projects in all CPSC programs compete for resources. The Commission made budget decisions which resulted in a slightly smaller electrical program. The change is not significant.

FY 1984-FY 1985 (+$314,000)

- o The increase in resources is due to the selection of two Commission priority projects in this program: electrocution hazards and portable electric heaters. Commission priority projects receive full funding.

Chemical Hazards Program

FY 1983-FY 1984 (+$313,000)

- o The dollar increase is due to cost of living salary increases and increased operating expenses in the program.

FY 1984-FY 1985 (+$93,000)

- o The dollar increase is due to cost of living salary increases.

Children's and Recreational Products Program

FY 1983-FY 1984 (+$229,000)

- o The increase in funds is due to the addition of the juvenile sports equipment project and increased resources for the structural entrapment project.

FY 1984-FY 1985 (-$102,000)

- o The decrease in resources is due to the fact that contract resources for the juvenile sports equipment project have been eliminated in order to balance the agency's budget request at $35,000,000. Contract work in FY 1984 will be supplemented by staff resources in FY 1985. The structural entrapment project received contract resources in FY 1984 which should carry the project through FY 1985.

Power Equipment Program

FY 1983-FY 1984 (+$42,000)

- The decrease in funds is due to the reduction in resources for the chain saw project. This reduction is possible because much of the technical work has been completed.

FY 1984-FY 1985 (+$94,000)

- The dollar increase is due to the selection of the riding mower project as a Commission priority project. Commission priority projects receive full funding.

Household Structural Products Program

FY 1983-FY 1984 (+$2,000)

- There is no significant change in this program.

FY 1984-FY 1985 (-$103,000)

- The funding decrease is due to the decrease in contract funds needed for the pressed wood project which received significant contract funds in FY 1984.

Hazard Identification and Analysis Program

FY 1983-FY 1984 (+$331,000)

- The funding increase is due to the fact the resources for the National Electronic Injury Surveillance System (NEISS) reflect the total cost to CPSC of maintaining the system. In FY 1983 and in past years, resources contributed by other agencies under reimbursable agreements for data-sharing were reflected to offset the Commission's cost of the system. Because decreased funding at these agencies has made the amount of their contribution less certain, the Commission decided to reflect the entire cost of the system in the event other agencies were no longer able to continue the data-sharing arrangement.

FY 1984-FY 1985 (+$26,000)

- There is no significant change in this program.

Engineering and Sciences Program

FY 1983-FY 1984 (-$79,000)

- The resources in this program are for general support activities in the Engineering Sciences and Health Sciences Directorates and laboratories. These resources have been reduced in order to provide more funding for hazard program projects.

FY 1984-FY 1985 (-$95,000)

- The resources have again been reduced in order to allocate more resources to hazard program projects.

Information and Education Program

FY 1983-FY 1984 (+$161,000)

- The increased dollars are due to cost of living salary increases as well as increased operating expenses.

FY 1984-FY 1985 (-$75,000)

- The reduction in funds results from a decrease of one position in the Office of Public Affairs, thereby saving salary dollars and reductions in contract funds due to a decrease in the number of information and education campaigns from three to two in FY 1985.

Compliance and Enforcement Program

FY 1983-FY 1984 (+$107,000)

- There are no significant changes in this program.

FY 1984-FY 1985 (+$72,000)

- There are no significant changes in this program.

Field Activities Program

FY 1983-FY 1984 (+$6,000)

- There are no significant changes in this program.

FY 1984-FY 1985 (+$122,000)

- There are no significant changes in this program. The resource increase reflects increased operating expenses.

Administration and General Support Program

FY 1983-FY 1984 (-$1,078,000)

- The reduction in funds reflects the Commission's effort to operate with less administrative support in order to devote the maximum level of resources to hazard program and compliance projects.

FY 1984-FY 1985 (-$286,000)

- o The reduction in resources reflects the Commission's effort to operate with less administrative support in order to devote the maximum resources possible to other programs.

EXPLANATION OF FY 1985 BUDGET CHANGES
(SEPTEMBER 83 BUDGET vs JANUARY 84 BUDGET)

Question: Would you please provide for the record a copy of Enclosure "C" to your February 27, 1984 letter to the Subcommittee which provides a brief explanation of the program changes from the budget submitted to OMB for $37,000,000 and the budget submitted to Congress for $35,000,000?

Answer:

Explanation of Changes
September to January Budgets

Commission Policy Development Program (+$123,000)

- o Increase needed to cover cost of January pay raise.

Executive Direction Program (+$33,000)

- o Increase needed to cover cost of January pay raise.

Emerging Hazards Program (-$240,000)

- o Reduction due to salary savings of 3 FTE's and reduction in product safety assessment contract.

Fire and Thermal Burn Program (-$239,000)

- o Decrease due to salary savings of 2 FTE's and elimination of contracts for chimney and fire growth projects.

Electrical Hazards Program (-$58,000)

- o Decrease due to salary savings of 2 FTE and elimination of fire investigations contract.

Chemical Hazards Program (-$368,000)

- o Decrease due to salary savings of 3 FTE's, elimination of contract for strong sensitizers, and reduced funding for sensitive populations contract.

Children's and Recreational Products Program (-$260,000)

- o Decrease due to salary savings of 1 FTE and elimination of contracts for juvenile sports, structural entrapment, age labeling and bicycles.

Power Equipment Program (-$75,000)

- o Decrease due to salary savings of 2 FTE.

Household Structural Products Program (-$8,000)

- o No significant change.

Hazard Identification and Analysis Program (-$94,000)

- o Decrease due to reduction of contracts for non-NEISS data systems and economic support and elimination of contracts for statistical support and microfilming in the Clearinghouse.

Engineering and Sciences Program (-$136,000)

- o Reduction due to decreases in Engineering Sciences and Health Sciences laboratory funds for equipment and reduction in toxicity support contract.

Information and Education Program (-$68,000)

- o Decrease due to salary savings of 1 FTE and elimination of contract for evaluation which will be funded in FY 1984.

Compliance and Enforcement Program (-$168,000)

- o Decrease due to salary savings of 3 FTE's and elimination of contracts for lead in paint testing and reduction of contracts for chemical and biological sample analysis.

Field Activities Program (-$301,000)

- o Decrease due to salary savings from 9 FTE decrease and reductions in operating dollars.

Administration (-$141,000)

- o Decrease is due to salary savings from 2 FTE reduction and elimination of contract for revision of accounting system.

OBJECT CLASSIFICATION

Question: Would you please provide a table for the record comparing the annual resources required for FY 1983, FY 1984 and the 9/83 FY 1985 estimate as well as the 1/84 FY 1985 estimate? The resources should be broken down by object classification. This should be based on enclosure "D" to the February 27, 1984 letter to the Subcommittee.

Answer:

OBJECT CLASSIFICATION
(Funds in Thousands of Dollars)

		1983 Actual	1984 Estimate	January 1985 Estimate	September 1985 Estimate
	Direct obligations:				
	Personnel compensation:				
11.1	Full-time permanent	19,500	19,761	19,885	20,234
11.3	Other than full-time permanent	1,369	1,151	1,169	1,161
11.5	Other personnel compensation	191	194	196	233
11.8	Special personnel services payments	9	10	10	30
11.9	Total personnel compensation	21,069	21,116	21,260	21,658
	Personnel benefits:				
12.1	Civilian	2,244	2,405	2,480	2,446
13.0	Benefits for former personnel	49	70	30	30
	Subtotal	23,362	23,591	23,770	24,134
21.0	Travel and transportation of persons	588	630	670	795
22.0	Transportation of things	18	22	24	107
23.1	Standard level user charge	1,710	1,837	2,407	2,454
23.2	Communication, utilities and other rent	1,891	2,019	2,021	2,121
24.0	Printing and reproduction	542	405	406	432
25.0	Other services	4,831	5,899	5,095	6,350
26.0	Supplies and materials	360	313	314	314
31.0	Equipment	465	278	287	287
42.0	Insurance claims and indemnities	6	6	6	6
99.0	Subtotal, direct obligations	33,773	35,000	35,000	37,000
	Reimbursable obligations:				
25.0	Other services	393	350	350	350
99.0	Subtotal, reimbursable obligations	393	350	350	350
99.9	Total obligations	34,166	35,350	35,350	37,350

Senator Garn—Continued

RESOURCES BY ORGANIZATION

Question: Would you please provide a table for the record comparing the organizational entities of CPSC and the annual required resources in terms of FTE and dollars of funding? It should be inclusive for FY 1983 through FY 1985. This should be based on enclosure "F" to the February 27, 1984 letter to the Subcommittee.

Answer:

RESOURCES BY ORGANIZATION

Organization	FY 1983 FTE	FY 1983 Funds ($000)	FY 1984 FTE	FY 1984 Funds ($000)	FY 1985 FTE	FY 1985 Funds ($000)
Commissioners	22.0	1,074.6	22.0	1,025.7	22.0	1,215.3
Office of the Secretary	23.7	1,083.7	23.1	1,192.1	23.1	1,256.9
Office of Congressional Relations	4.8	166.8	5.0	233.6	4.0	220.9
Office of General Counsel	23.3	1,155.4	24.1	1,321.9	23.8	1,350.8
Office of Internal Audit	2.5	150.2	1.5	70.5	1.5	82.9
Office of Equal Employment Opportunity and Minority Enterprise	5.3	174.2	3.0	139.7	3.0	165.7
Office of Public Affairs	8.2	642.7	8.8	842.5	7.8	713.5
Executive Director	8.2	428.9	7.0	315.2	7.0	353.1
Office of Budget, Program Planning and Evaluation	13.5	589.5	12.0	541.4	12.0	605.4
Office of Program Management	17.4	778.1	15.0	704.1	15.0	776.3
Directorate for Epidemiology	61.2	3,836.1	61.7	4,298.5	61.2	4,327.5
Directorate for Economic Analysis	18.4	989.2	18.5	1,005.7	18.8	1,025.7
Directorate for Engineering and Sciences	57.8	3,196.7	58.0	3,858.1	59.0	3,362.8
Directorate for Health Sciences	54.9	2,935.3	55.2	3,298.4	57.7	3,285.5
Office of Outreach Coordination	7.0	406.1	7.0	358.6	7.0	366.0
Directorate for Compliance and Administrative Litigation	37.7	1,576.6	37.6	1,769.1	37.6	1,868.0
Directorate for Administration	94.1	3,952.1	77.4	2,903.1	70.4	2,782.1
Field Offices	156.0	6,730.0	158.1	6,736.0	156.1	6,858.0
Common Costs*	--	3,906.8	--	4,385.8	--	4,383.6
Unobligated Balance Lapsing	--	265.0				
Total Commission Resources	616.0	34,038.0	595.0	35,000.0	587.0	35,000.0

*Costs incurred by the Agency as a whole and not charged to any individual organization.

Senator Garn—Continued

TOXICITY OF COMBUSTION PRODUCTS

Question: Several transportation related accidents have highlighted the fact that inhalation of toxic gases have caused a large number of fatalities.

It is apparent that at least a half a dozen Federal agencies are developing programs that relate to the toxicity of combustion products.

Which agencies are you coordinating with in this area?

Answer: Thirteen agencies have expressed an interest in coordinating activities in the fire/combustion toxicity area with CPSC. These include the National Bureau of Standards, the Federal Aviation Administration, Federal Emergency Management Agency, the U.S. Fire Administration, the Occupational Safety and Health Administration, the National Institute of Occupational Safety and Health, the Naval Medical Research Institute, the Mine Safety and Health Administration, the National Aeronautics and Space Administration, the Naval Research Laboratory, the Environmental Protection Agency, the U.S. Coast Guard and the U.S. Air Force.

Question: What activities have you performed in this area over the past three years?

In FY 1982, the National Bureau of Standards conducted toxicity tests on 5 materials for the Commission. In FY 1983, the project included three major milestones: determining the relative toxicity of five upholstered furniture filling materials; reviewing the literature dealing with the toxic combustion products generated by polyurethane foam; and aquisition of in-house testing capabilities for determination of the relative toxicity of materials. In FY 1984, using the in-house testing capabilities, 30 samples of upholstered furniture filling and fabric as well as combinations of these materials is planned. A literature review on 10 plastics will be conducted. In addition, coordination between Federal, State and local agencies will be promoted in order to focus Federal efforts in the field of fire toxicity and disseminate technical information.

Question: What has been the funding for these activities?

Answer: Funding for the Commission's toxicity of combustion products work is as follows:

FY 1982 - $ 92,000
FY 1983 - $193,000
FY 1984 - $450,000
FY 1985 - $674,000

Question: Has a lead agency been designated to coordinate Federal activities in this area?

A lead agency has not yet been officially designated in this area.

BUDGET INCREASE

Question: Commissioner Statler, in the statement you have provided, you list five areas where you feel additional funds are required.

Would you please provide for the record the amount of additional funding for FY 1985 that should be put in each of the five areas?

Would you please indicate for the record what you would do to fund these areas if the FY 1985 budget is kept at $35,000,000?

If the FY 1985 budget were increased an additional $2,000,000 would you describe for the record exactly how you would utilize the funds to obtain the maximum payoff in addressing the safety initiatives that you feel the $35,000,000 budget has "sacrificed"? (Please indicate the portion of the $2,000,000 that should go into emerging dangers and newly identified hazards, unvented fuel-fired appliances, etc...)

Answer: In response to your question, I would like to expand upon what was stated in my letter of March 5, 1984, in order to clear up what appears to be a misunderstanding. The five examples noted refer to the kinds of real and potential hazards which we can't address with a $35,000,000 budget nor could we effectively tackle with a $37,000,000 funding level. For instance, our staff estimates that it would cost upwards of $5,000,000 to evaluate whether some 25 million residential circuit breakers in this country present an unreasonable hazard due to faulty overcurrent protection. To address these and other worthwhile projects requries funding akin to the $49,000,000 for FY 1985, and 52,000,000 for FY 1986, voted out by the House Commerce Committee last summer, which is the authorizing Committee for this agency. This bill, a victim of unfortunate timing, came up for debate immediately after the Supreme Court's landmark decision in INS v. Chadha striking down as unconstitutional the legislative veto. The ensuing debate on legislative veto caused the Committee bill to go down to defeat.

The underlying truth is that a budget drastically reduced from monies and staffing available in previous years means we can no longer monitor all of today's marketplace--much less respond to the looming risks so clearly on the horizon.

Moreover, even our response to the more immediate hazards is compromised by lack of adequate funds and staff. My letter highlights several projects hard hit by the loss of $2,000,000 as between our initial budget submission and the current one. However, without additional in-depth consultation with program staff and further consultation with my colleagues it would be difficult to designate--in the most cost-effective manner--what particular momentary amounts are needed to resurrect these excise project.

STATE AND LOCAL PROGRAMS

Question: Commissioner Scanlon, in the statement you have provided, you support the $35,000,000 budget level but seek to increase grants to carry out cooperative consumer protection programs at the State and local level.

Please provide the following information for the record.

What additional funding do you recommend for this State and local effort?

Answer: Five hundred thousand dollars ($500,000) per fiscal year.

Question: What activities would you suggest be discontinued or not initiated in order to provide funds for the State and local program?

Answer: Reduce overall outside contract dollars, and provide those funds to State and local municipalities.

Question: What would you recommend as a proper balance between the number of field people versus the number of headquarters personnel? How many field personnel do you recommend?

Answer: A balance of 50 percent field to 50 percent headquarters personnel would be a proper ratio. The Food and Drug Administration, for example, has 40 percent of its personnel in the field. Such a change from our current ratio of 3-to-1 headquarters to field would require a systematic long-range plan to implement. The change should be accomplished primarily through normal attrition at the headquarters level to avoid RIF's which are both costly and adversely affect staff morale.

A field staff of 290 versus 290 in headquarters would be ideal.

Question: What activities will the field personnel be conducting?

Answer: Inspections, recall checks, information and education programs, section 15 investigations, in-depth investigations of accidents, and information sharing with State and local officials.

Question: Which of these activities could not be performed by headquarters personnel?

Answer: Inspections, section 15 work and field compliance with mandatory standards, in-depth investigations, recall effectiveness checks, public hearings in the field, industry guidance, answering consumer complaints, and seeking injury and hazard report leads as well as monitoring compliance and enforcement contracts, training seminars and commissioning. Investigative activities are traditionally field related and require an on-site presence.

Question: Which of the activities of the CPSC field personnel could not be performed by State and local personnel already at these locations?

Answer: The major expertise lies in the CPSC field personnel for:

1) guidance on Federal product safety regulations and laws for industry and consumers,

2) training for compliance and enforcement of CPSC laws and regulations.

EVALUATION OF STATE CONTRACT PROGRAM

Question: The CPSC produced a report evaluating the State Contract Program in 1981. The program provides funds which are awarded to States to conduct compliance and enforcement inspections, recall checks, and information and education activities.

The report indicated that in the compliance and enforcement area, most of the States' efforts and reports were judged to be "legally sufficient".

This does not sound like the most glowing endorsement of a program that has ever been given.

The surveys of the State project officers and the CPSC project officers may not have been the most objective way to evaluate the State contract program. Has there been any outside evaluation of the program based on quantitative measures of effectiveness?

Answer: There has never been an outside evaluation of the State contract program. The evaluation report in question was completed by CPSC's Office of Budget, Program Planning, and Evaluation, and represented an objective and independent evaluation of this program which was then managed by the agency's Directorate for Field Operations. One of the key measures of the program's success was its cost effectiveness, and much of this evaluation was directed towards quantifying that aspect of the program. However, nonquantifiable factors relating to the quality of performance, benefits to States gained from program development and changes that might improve the program were also examined.

In response to the objectivity of the evaluation, the analysts who conducted the study felt that those people most involved in the program, CPSC Project Officers, CPSC Area Office Directors, State Project Officers, and State Designees were in the best position to provide accurate information on which to base the results.

The term legally sufficient as applied to State contract reports should not be considered anything but a positive endorsement of the program. The large majority of reports submitted by States were sufficient for CPSC to take compliance action, if needed (i.e., legally sufficient). By all the measures utilized in the evaluation, the States equaled or exceeded expectation of the State contracts program.

Question: Would you please provide a table listing the annual funding provided for the State and local program as well as the number of CPSC field FTE's involved in the program for FY 1981, FY 1982, FY 1983, FY 1984, and FY 1985?

Answer: The following table provides the resources for the State and local program for FY 1981 - FY 1985.

FY	Funds	FTE's
1981	$200,000	7
1982	$100,000	3
1983	0	3
1984	$100,000	2
1985	$100,000	2

LONG TERM HEALTH RISKS FROM CHEMICAL PLASTICIZERS

Question: At last years hearings Commissioner Zagoria testified that much of the work of CPSC..."is a form of investment." He indicated that CPSC was involved in a hearing on phthalate esters, chemicals used in plastics to make them soft. These plasticizers are widely used in infant products such as nipples on bottles, pacifiers, plastic bumpers in cribs, plastic sheets and plastic pants.

We were told that CPSC was using some of the chemical industry people to help CPSC create a technical staff to supervise the testing of phthalate esters. Commissioner Zagoria indicated that if work wasn't done to assure that these products are within an acceptable range of safety then in 10 or 15 years there most likely will be people who are troubled by serious diseases.

Would you please bring us up to date on what has gone on in the past year in this area (plasticizers)?

Answer: The Commission's work in the past year has focused on di(2-ethylhexyl)phthalate (DEHP) in children's vinyl plastic products. Studies have been done to assess the release of DEHP from vinyl pacifiers and other children's products. In addition, the Commission has updated its toxicity evaluation for this chemical. Meetings have been held with the industry to discuss protocols and exchange data. Finally, the Commission has voted to form a Chronic Hazard Advisory Panel (CHAP) on DEHP. Based on the findings of the panel, the Commission will decide whether remedial strategies are appropriate.

Question: Can you bring us up to date on any other similar long range problems that you have been working on in the past year?

Answer: Other projects which have the potential for long range health effects include nitrosamines in infant pacifiers, indoor air quality and chlorocarbons. All of these projects deal with carcinogenic or potentially carcinogenic substances and, therefore, pose the risk of long range health effects.

Nitrosamines - These chemicals are found in rubber pacifiers and rubber nipples. In the past year the Commission has measured nitrosamines in rubber pacifiers, reviewed the toxicity of these chemicals, met with the industry to voluntarily work out a standard to limit nitrosamines and published an enforcement policy in conjunction with the Food and Drug Administration to limit nitrosamine levels in rubber pacifiers and nipples to 60 ppb on an interim basis.

Indoor Air Quality - The Commission has continued its study of formaldehyde in pressed wood products to estimate exposure; monitored the urea formaldehyde foam insulation industry for any resurgence of activity and established a CHAP on formaldehyde. The Commission also evaluated pollutant emissions from kerosene heaters, and unvented gas space heaters and made recommendations for lowering the risk of injury from these products. Finally, the Commission has measured the various types of organic pollutants found in homes and is presently evaluating the results of these studies.

Chlorocarbons - The Commission is in the process of evaluating the available data on the mutagenicity and carcinogenicity of methylene chloride and perchloroethylene. Protocols for determining exposure levels resulting from the use of products containing these chlorocarbons have been developed and the experimental studies will begin in the near future. Based on this data, the degree of hazard posed by specific products will be determined and attempts will be made to reduce the hazard.

RANKING OF PRIORITY PROJECTS

Question: Are the priority projects listed in your opening statement on pages 4 through 9 presented in order of highest priority?

Answer: No, the priority projects are listed in alphabetical order.

Question: What basis would you suggest for comparing these projects in order to rank order them?

Answer: The Commission utilizes a vigorous, in-depth planning process to allocate its limited resources to the numerous projects undertaken by the agency each year. Perhaps, the most critical step in the process is the selection of a limited number of projects which are designated as Commission priorities.

Once priority projects are selected, the Commission fully funds these projects. Full funding is defined as the level of resources needed to ensure that project completion is not delayed because of a lack of resources. After priority projects are selected and fully funded, the Commission then allocates remaining resources to other project work.

Priorities are selected based on criteria such as the frequency and severity of injuries, the nature of the product hazard, and the feasibility of improving the safety of a product.

Criteria for priority selection must be applied based on the judgment and experience of the Commissioners. The criteria are useful in separating priority activities from other projects. Attempting to rank order priorities against each other using various criteria takes the planning process to a level of detail which is not meaningful for management purposes. For this reason, the Commission does not attempt to rank order priority projects. To ensure that no appearance of ranking of priorities occurs, the Commission usually lists the priorities in alphabetical order in planning and budget documents.

Senator Garn—Continued

Question: Using this basis would you please list the 9 projects in order of your perceived importance?

Answer: The Commission, acting as a collegial body, selects a group of projects each year as priorities. This process facilitates the planning and management of agency activities. Priority selection is based on the informed judgment of five Commissioners. It is not a scientific, quantitative process. Ranking priorities would not be a useful exercise.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

CURRENT SERVICES

Question: If you were submitting a budget at the current or constant services level, what would the request be?

Answer: Current services estimates allow agencies to inflate the non-pay related costs of the current year appropriation using inflation factors supplied by the Office of Management and Budget. The Commission's FY 1984 appropriation is $35,000,000; based on this, the current services estimate for FY 1985 is $35,587,000.

CURRENT SERVICES COMPARISON

Question: How would a current services request compare with the $37,000,000 request you made to OMB?

Answer: A current services request for FY 1985 would total $35,587,000 compared to $37,000,000.

Question: Under the $37,000,000, would you have had current services and new initiatives?

Answer: With a $37,000,000 budget the Commission would have both current services and resources for new initiatives.

Question: How much in new initiatives?

Answer: With a $37,000,000 budget the Commission would have had $1,413,000 to fund new initiatives and provide increased resources for planned non-priority projects. However, $800,000 of the increase would be used to cover the costs of the January 1, 1984 cost of living salary increase.

PROGRAM REDUCTIONS

Question: Please identify on a program by program basis where the $2,000,000 in cuts--from $37,000,000 to $35,000,000--were taken.

Answer:

Explanation of Program Changes From September
$37 Million Request to OMB
to January $35 Million Request

Commission Policy Development Program (+$123,000)

- Increase needed to cover cost of January pay raise.

Executive Direction Program (+$33,000)

- Increase needed to cover cost of January pay raise.

Senator Huddleston—Continued

Emerging Hazards Program (-$240,000)

- Reduction due to salary savings of 3 FTE's and reduction in product safety assessment contract.

Fire and Thermal Burn Program (-$239,000)

- Decrease due to salary savings of 2 FTE's and elimination of contracts for chimney and fire growth projects.

Electrical Hazards Program (-$58,000)

- Decrease due to salary savings of 2 FTE and elimination of fire investigations contract.

Chemical Hazards Program (-$368,000)

- Decrease due to salary savings of 3 FTE's, elimination of contract for strong sensitizers, and reduced funding for sensitive populations contract.

Children's and Recreational Products Program (-$260,000)

- Decrease due to salary savings of 1 FTE and elimination of contracts for juvenile sports, structural entrapment, age labeling and bicycles.

Power Equipment Program (-$75,000)

- Decrease due to salary savings of 2 FTE.

Household Structural Products Program (-$8,000)

- No significant change.

Hazard Identification and Analysis Program (-$94,000)

- Decrease due to reduction of contracts for non-NEISS data systems and economic support and elimination of contracts for statistical support and microfilming in the Clearinghouse.

Engineering and Sciences Program (-$136,000)

- Reduction due to decreases in Engineering Sciences and Health Sciences laboratory funds for equipment and reduction in toxicity support contract.

Information and Education Program (-$68,000)

- Decrease due to salary savings of 1 FTE and elimination of contract for evaluation which will be funded in FY 1984.

Compliance and Enforcement Program (-$168,000)

- Decrease due to salary savings of 3 FTE's and elimination of contracts for lead in paint testing and reduction of contracts for chemical and biological sample analysis.

Field Activities Program (-$301,000)

- o Decrease due to salary savings from 9 FTE decrease and reductions in operating dollars.

Administration (-$141,000)

- o Decrease is due to salary savings from 2 FTE reduction and elimination of contract for revision of accounting system.

CONSUMER FEDERATION OF AMERICA REPORT

Question: Did the Consumer Federation of America report seek to identify what types of CPSC activities were most effective in reducing deaths and injuries--or have you sought to?

Answer: In the Consumer Federation of America (CFA) report entitled On the Safe Track the statistical analysis dealt primarily with the dramatic decrease in deaths and injuries since the CPSC began operations in 1973. Although deaths and injuries have been on the decline for most of this century, the CFA report, using data compiled by the National Safety Council, shows that:

> Whether the starting point is the year the CPSC was created by Congress (1972), or the year it actually began operations (1973), accidental household injuries fell more than two-and-a-half times faster, on the average, than they did in the 9 years before the CPSC. Accidental household deaths fell over twice as fast, again on the average, for the same period.

In order to provide some perspective on specific CPSC actions and the reduction in injuries and deaths, the CFA report included a table based on data derived from CPSC's predictive modeling techniques. 1/ This table reflected that: (1) as a result of joint CPSC and industry developed voluntary standards, an estimated 250 deaths and 150,000 injuries have been prevented per year; (2) as a result of CPSC's mandatory standards, 200 deaths and 90,000 injuries have been prevented per year; and (3) product bans have prevented over 2,000 deaths per year.

Because of the significant costs associated with the evaluation of specific activities, CPSC has conducted evaluation studies only on some of its more major actions, such as measuring the impact of (1) child resistant closures required under the Poison Prevention Packaging Act, (2) crib regulations issued under the Federal Hazardous Substances Act, (3) Flammable Fabrics Act standards, and (4) the Consumer Product Safety Act match standard.

1/ The predictive model developed by CPSC is designed to estimate the amount of injury reduction based on the pre-action estimates of the number of injuries associated with the particular hazards being addressed, an estimate of the expected degree of effectiveness of the proposed standard, and the expected rate at which the newer, safer products replace the old ones.

TOY CHEST ACCIDENTS

Question: Toy chest accidents appear to have caused a tragically large number of deaths and brain damage. Why has it taken so long to deal with this safety problem?

Answer: The Commission has documented 21 deaths, 2 cases of brain damage, and 3 near misses resulting from toy chest lids falling on the head, neck, or upper body of children. These incidents occurred between 1972 and 1982. In October 1979, the staff established a project to draft requirements for a mandatory rule to address this hazard. These requirements were developed and included in a draft Federal Register Notice that was proposed in February 1981.

In March 1981, the staff contacted American Society for Testing Materials (ASTM) F-15 Committee regarding the development of a voluntary standard for toy chests. At that time, there was no interest on the part of industry to develop a voluntary standard. Two trade associations were contacted, Toy Manufacturers of America (TMA) and Juvenile Products Manufacturers of America, but neither organization was interested in developing a voluntary standard as they did not represent a majority of the manufacturers. In May 1981, the staff prepared a draft Federal Register Notice proposing a mandatory rule for toy chests. Concurrently, the staff made another attempt to initiate voluntary action to address the hazard. The effort was in keeping with the intent of the 1981 amendments to the Consumer Product Safety Act (CPSA) to encourage and provide opportunity for voluntary solutions to consumer product hazards. These efforts continued while the Commission staff continued with activities to develop and promulgate a mandatory rule.

In April 1982, the Commission published an Advance Notice of Proposed Rulemaking (ANPR). In May 1982, the TMA under the auspices of ASTM formed a Task Group and decided to draft a voluntary standard. In July 1982, ASTM mailed the draft voluntary standard to the task group and all identified toy chest manufacturers. Ballots on the draft standard were due in August 1982.

However, at that time, industry interest in developing and supporting a voluntary standard was still meager. Therefore, on November 17, 1982, the Commission directed the staff to prepare a draft proposed rule for publication in the Federal Register. In February 1983, all identified toy chest manufacturers were invited to meet with the Commission to discuss the likely compliance with a voluntary standard. Four representatives from industry attended.

The Commission published the proposed rule in the Federal Register in March 1983. Copies of the Federal Register Notice were mailed to over 160 consumer and industry organizations for comment. During this time, the staff was refining the test requirements to address the hazard. These changes were the result of conversations with various industry members. On August 17, 1983, the Commission voted to withdraw the proposed rule. This decision was based on information from the industry that, at that time, approximately 98 percent of the toy chests produced for the year to date were in compliance with the voluntary standard. It was also reported by the industry that there would be 100 percent compliance by the end of 1983. It is expected that the voluntary standard for toy chests will be published in 1984.

SMOKE DETECTORS

Question: There has been quite an emphasis on installing smoke detectors, but what is being done to remind people about maintenance? Could we not be reaching a point where there are a significant number of installed but nonfunctioning smoke detectors?

Answer: The Consumer Product Safety Commission's print materials distributed to consumers clearly point out the importance of maintenance. The Commission staff is becoming concerned about problems caused by nonfunctioning smoke alarms. The agency has fire reports that describe detectors which have not alarmed. However, to our knowledge, no current data exist which identify the extent of this situation. The staff may propose an FY 1985 project to collect the necessary information and data for Commission consideration. If a substantial number of nonfunctioning smoke detectors exist in the field, the risk to consumers is considerable.

Several factors could influence proper functioning: defective detectors, lack of power source, inappropriate location, etc. Such information is needed in order to identify any appropriate agency response.

PRIORITY PROJECTS

Question: What are the principal areas which you considered including in the FY 1985 priority list but then decided not to include?

Answer: The Commission considered four other areas for priority project status in FY 1985:

1. Strong Sensitizers Project - The hazard addressed by this project is the allergic sensitization to chemicals in consumer products.

2. Section 15 Project - Section 15 of the Consumer Product Safety Act requires firms to report products which may present a substantial product hazard to the Commission.

3. Wood/Coal Burning Heating Equipment Project - The hazard addressed by this project is the increase in the number of fires involving the use of solid fuel burning appliances and accessories, such as fireplaces, stoves, and fireplace inserts.

4. Chimney Project - The hazard addressed by this project is the increase in the number of fires which involve metal factory-built chimneys.

Although these projects were not selected as priority projects in FY 1985 they are considered important efforts on which the Commission continues to work. In addition, the section 15 project, a priority in FY 1984, continues to be a highly funded project.

ELECTROCUTION HAZARDS

Question: Which products are chiefly responsible for electrocution hazards?

Answer: The products found in and around the home which are chiefly responsible for electrocution hazards are: power tools, large kitchen appliances, hair dryers, lamps/light fixtures, installed wiring, ladders, and electric cords/extension cords.

FIRE TOXICITY

Question: What are you looking for in your fire toxicity efforts -- what are the most promising means of dealing with smoke, carbon monoxide, hydrogen cyanide and other toxic gases?

Answer: The fire toxicity project is a major part of a multifaceted project to reduce the number of deaths due to fires using a three phase approach of (1) preventing the start of fires (2) early detection to allow escape and (3) making materials "safer" when fires do occur. When materials burn they produce a variety of toxic gases including carbon monoxide and hydrogen cyanide. Through cooperation with other agencies active in this area and continuing research efforts the Commission hopes to identify materials or techniques which will produce less hazardous products. Development of materials which produce smaller amounts of smoke and toxic gases at a slower rate may enable victims enough additional time to make escape viable.

INDOOR AIR POLLUTION

Question: Do you have underway any comprehensive effort to identify all major sources of indoor air pollution?

Answer: Yes, we have a reasonably comprehensive program utilizing both in-house resources and contracts at the Inhalation Toxicological Research Institute (ITRI), the Oak Ridge National Laboratory (ORNL) and the Lawrance Berkeley Laboratory (LBL), to identify the major sources of indoor air pollution.

A home monitoring study at ORNL identified major volatile pollutants, their levels, and factors affecting the levels of selected pollutants in the home. Studies on emission characteristics of formaldehyde from its major sources is also in progress at ORNL, as is a project to identify major sources of volatile organic pollutants and to identify highly volatile, low molecular weight pollutants. ITRI conducted a study to determine major sources of formaldehyde in homes, and LBL has been investigating the pollutant emission characteristics of various unvented combustion sources which can be potential major sources of indoor air pollution. CPSC and others have already identified the combustion sources most likely to be responsible for pollutant generation. These include kerosene heaters, coal and wood burning stoves, gas ovens and ranges.

NURSERY EQUIPMENT

Question: The Chairman's statement refers to hazards associated with "older" nursery equipment. What do you consider older equipment and what is your authority over it?

How far back have you gone on it?

Answer: Nursery equipment manufactured before the development of any pertinent voluntary standards or mandatory rules is considered "older" nursery equipment. Pre-standard equipment may pose hazards not present in new nursery products which comply with standards. In addition, problems with older nursery equipment often are the result of use and abuse by children. Consumers may not be aware that "hand-me-down" nursery equipment requires maintenance.

If a hazard is identified with either new or old nursery equipment that is caused by a product defect, the Commission's compliance program would take the necessary steps under section 15 of the Consumer Product Safety Act (CPSA) or under any existing mandatory regulations to address the hazard, regardless of the age of the product.

IMPORTS

Question: An increasing number of toys and nursery equipment seems to be imported. How do you deal with imported items?

Answer: Basically, it is the Commission's policy (16 CFR 1009) that importers and foreign manufacturers must meet requirements of all the laws administered by the Commission if the firms' products are to be distributed and sold in the United States.

In dealing with imported products, the Commission views importers as having all of the same responsibilities and obligations as domestic manufacturers. Importers are inspected as are domestic manufacturers in response to information indicating possible noncompliance involving their products. If noncompliance is found, importers are requested to stop distribution of the product involved, make appropriate corrections to future production, and if necessary to give public notice and initiate recalls. When an importer declines to take appropriate corrective action or in other situations such as continued or repeated violations, the Commission may initiate legal proceedings to obtain corrective action. The agency handles cases involving domestic manufacturers in the same manner.

Additionally, in cases of noncompliance, CPSC notifies foreign manufacturers of compliance problems. The Commission provides copies of test results, explains CPSC requirements and requests that steps be taken to assure that any future exports to the United States comply with all applicable U.S. requirements. Copies of these notification letters are sent to the government agency in the exporting country having product safety jurisdiction, the embassy of the exporting country located in the United States, and to the United States Department of State.

Finally, in instances where CPSC is aware of problems with a particular type of imported product, the agency may request U. S. Customs to alert the Commission to any importations of that item. The Commission then examines and samples the item in question to prevent the distribution of a noncomplying consumer product in domestic commerce.

ELDERLY CONSUMERS

Question: What types of products appear to be most dangerous for elderly consumers?

Answer: Two lists of products that Commission data show to be associated with the highest numbers of injuries and deaths to consumers who are 65 years of age and older are provided below. The data were drawn from 1981 CPSC hazard analyses. It should be stressed, however, that falls are the leading cause of accidental injury to persons 65 years of age and older. In reviewing this list you will see items that one may not immediately recognize as consumer products. However, items such as stairs and floors are associated with many fall-related injuries to consumers 65 years of age and over. The Commission believes that it can reduce the numbers of injuries associated with these items as well as those more traditionally identified as consumer products.

Tabulation of Products with Highest Injury Frequencies to Persons 65 Years of Age and Older That Are Addressed in CPSC Safety for Older Consumers Project

Product	Estimated Number of Medically Attended Injuries
Floors	272,200
Stairs	263,900
Chairs	78,900
Beds	74,900
Bathtubs and Showers	42,200
Ladders	38,100
Rugs and Carpets	34,400
Cutlery and Tableware	33,500
Tables	32,100
Drugs and Chemicals	24,300
Power Saws	22,500
Sinks and Toilets	19,400

Tabulation of Products With Highest Frequencies of Deaths to Persons 65 Years of Age and Older That Are Addressed in CPSC Safety for Older Consumers Project

Product	Reported Number of Fatalities
General Home Fire Involvement	952
Stairs	623
Beds	261
Clothing	188
Bathtubs and Showers	140

Product	Reported Number of Fatalities
Ladders	118
Chairs	114
Heating Equipment	105
Cigarettes, Tobacco	92
Ranges and Ovens	65

AGE LABELING

Question: Some products include a warning such as "Not intended for children under three" or five or some specified age. Do you help devise these warnings or are they left to industry?

Answer: With the exception of the electric toy regulations, 16 CFR 1505, the Commission has no mandatory age labeling requirements. The electric toy regulations require the statement "Caution-Electric Toy: Not recommended for children under ______ years of age. As with all electric products, precautions should be observed during handling and use to prevent electric shock." The age is to be filled in by the manufacturer.

The agency often encourages the use of informative age labeling in situations where a children's article may present a hazard to younger children. Generally these instances involve choking, suffocation, aspiration, or ingestion hazards presented by "small parts" in toys which makes them unsuitable for children under three years of age. This age group is especially at risk because of their tendency to place items in their mouth. In those cases in which the Commission recommends age labeling, the agency recommends that the label statement be meaningful in terms of alerting the parent to the fact that there is a safety reason for the age restriction. Otherwise parents may believe the age restriction relates only to ability and development.

The Commission staff is presently working with an industry trade association in order to obtain uniform age labeling throughout the industry which would caution the parents of any hazards a toy may present if given to children younger than intended. The toy industry verbally supports certain forms of age labeling. The President of the Toy Manufacturers of America (TMA), stated that there is a need for more consistency within the industry, but that TMA did not support any form of negative labeling that included a statement of the hazard. A subcommittee of TMA has been appointed to develop age labeling guidelines for publication in booklet form that TMA would print. TMA has suggested undertaking a public relations program to promote the booklet for use by manufacturers, retailers, and consumers.

The Commission will be briefed on the issue of age labeling in the near future. The issue also will be discussed with members of the industry and TMA.

BUDGET REDUCTIONS

Question: Commissioner Statler has presented some interesting figures on the real reductions sustained by CPSC in comparison with cuts made in other Federal health and safety agencies.

How do you account for the fact that the reductions for CPSC have been substantially greater?

Answer: This is a matter over which we have had little control. Most of the reductions have taken place in recent years as the Office of Management and Budget which submits overall budget requests for Federal agencies, has sought to reduce spending throughout the government. In the case of CPSC, it was apparently felt that a smaller agency could still carry out its mandate to protect consumers from unreasonable risks of injury with reduced funding and personnel levels. While the level of our funding has elicited debate both within the Commission and on Capitol Hill, the Congress by its passage of annual appropriations has apparently agreed with this philosophy.

MICROCIRCUITRY

Question: What are the potential dangers in microcircuitry and what is CPSC doing in this area?

Answer: The primary potential danger associated with products using microcircuitry is the malfunction of the control devices which regulate the level of heat in an appliance. As a result of a control malfunction, the appliance could overheat and cause a fire.

During FY 1984, the Commission is studying microcircuitry to discover if there is a common design scheme in control mechanisms of appliances, which employ this technology to determine if there are potential weaknesses which could result in hazards if they fail. In FY 1985 however, there are no resources allocated to this project.

COURT SUITS

Question: How many court suits did the Commission initiate in FY 1983 and to date in FY 1984? For what reason?

Answer: The Commission initiated four administrative law suits in FY 1983. The Commission has not initiated any administrative law suits in FY 1984 to date. The four FY 1983 cases are as follows:

In-re: Sun and Sand Imports, Ltd., and Guido Muller. CPSC Docket No. 83-1 - seeking a cease and desist order under the Flammable Fabrics Act for noncomplying children's sleepwear.

In-re: Honeywell, Inc. CPSC Docket No. 83-2 - seeking corrective action under section 15 of the Consumer Product Safety Act for certain liquefied petroleum gas control valves.

In-re: Bilt-Rite, et al. CPSA Docket No. 83-4 - seeking corrective action under section 15 of the Consumer Product Safety Act for mesh sided cribs and playpens.

In FY 1983 and to date in FY 1984, the Commission has initiated seven Federal court lawsuits. The cases and the reasons for bringing them are as follows:

1. U.S. v. Articles of Flammable Children's Sleepwear (S.D. Fla.). Pursuant to court order, the Commission seized children's sleepwear that failed to comply with the Flammability Standard for Children's Sleepwear. The case was settled by consent agreement, and the seized goods were destroyed.
2. U.S. v. Sun and Sand Imports, Ltd. (S.D.N.Y.). The Commission brought an action to enjoin the sale of children's sleepwear that it alleged failed to comply with the Flammability Standard for Children's Sleepwear. The court granted the Commission's request and enjoined the sale during the pendancy of an administrative hearing to determine if the garments violated the sleepwear standard. The U.S. Court of Appeals for the Second Circuit upheld the injunction and affirmed the constitutionality of the Flammability Standard for Children's Sleepwear.
3. U.S. v. Waltenbaugh (M.D. Pa.). The Commission brought this action to enjoin the sale of firecrackers that violated the Commission's regulation banning firecrackers containing more than a specified amount of pyrotechnic composition. The case was settled by consent agreement.
4. U.S. v. Articles of Banned Hazardous Substances consisting of ... Baby Rattles (E.D.N.Y.). Pursuant to court order, the Commission seized baby rattles alleged to violate the safety requirements for baby rattles. The case is pending.

5. U.S. v. Pittsburgh Penn Oil Co. and Fred Danovitz, Vice President and Chief Executive Officer (W.D. Pa.). The Commission brought this action to enjoin the sale of charcoal lighter fluid in containers that failed to meet the child-resistant requirements of the Poison Prevention Packaging Act. The case was settled by consent agreement.

6. CPSC v Robertshaw Controls, Inc. (E.D. Va.) In this action the Commission seeks a civil penalty against Robertshaw for an alleged failure to adequately report under section 15 of the CPSA a defect in certain thermostat control valves. The case in pending.

7. U.S. v. Honeywell Controls, Inc. (D. Minn.). In this action, the CPSC seeks a civil penalty against Honeywell for an alleged failure to report under section 15 of the CPSA a defect in certain gas combination control valves. The case is pending.

RECALLS

Question: How many recalls did the Commission support in FY 1983 and to date in FY 1984?

Answer:

	FY 1983	FY 1984 (to date)
Section 15	113	51
Regulated Products	66	30

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Science and Technology Policy

STATEMENT OF GEORGE A. KEYWORTH II, SCIENCE ADVISER TO THE PRESIDENT, AND DIRECTOR, OFFICE OF SCIENCE AND TECHNOLOGY POLICY

ACCOMPANIED BY JERRY D. JENNINGS, EXECUTIVE DIRECTOR

INTRODUCTORY REMARKS

Senator Abdnor. Next we will hear from the Office of Science and Technology Policy.

The Office of Science and Technology Policy was created by the National Science and Technology Policy, Organization and Priorities Act of 1976. The Office was designed to provide advice to the President on scientific and technological considerations in areas of national and international concern and advises the National Security Council. In addition, the Office provides general leadership and coordination of the research and development programs of the Federal Government and assisted the Office of Management and Budget with reviews of proposed budgets for Federal R&D programs. The Office also advised Congress on the executive branch's views regarding science and technology policy—and in this regard has proven quite useful to this subcommittee. We know it is a big challenge and you are doing a fine job.

Your budget request for fiscal year 1985 is for $2,194,000 and 15 full-time permanent positions. This represents an inceease of $244,000 over the enacted fiscal year 1984 budget.

Mr. Keyworth, please go ahead with your summary statement. Your entire statement will be made a part of the record.

OPENING STATEMENT

Mr. Keyworth. Thank you very much, Senator Abdnor.

I am, of course, pleased to have the chance to meet with you today to present and discuss the Office of Science and Technology Policy budget request for fiscal year 1985, but since one of the major purposes of OSTP is to assist the President in formulating and implementing administration science policy, I would like to take just a few minutes to talk about science policy and to present some highlights of the President's proposed 1985 programs for research and development.

Fiscal year 1985 marks the President's fourth R&D budget request, so I think it's timely to offer an accounting of the accomplishments and impacts of science policy during the course of this administration.

FEDERAL R&D

Senator ABDNOR, I would like to refer to the three charts attached as the last pages of my prepared testimony. The first chart, titled "Federal R&D Obligations," shows the relation among the major three categories of Federal R&D, and that is basic research, applied research, and development. Over these 4 years our policy has been grounded in an emphasis on basic research and a concomitant reduction of Government support for demonstration, development, and applied research projects that are more appropriate for the private sector. In particular, we made substantial reductions in many energy-related demonstration projects. So when we look at these three categories of Federal funding in nondefense areas we see a startling shift in relative priorities during this administration. And, incidentally, this and other charts do show constant 1983 dollars.

BASIC RESEARCH

You can see how basic research has gone from the smallest fraction of that nondefense R&D to the largest, with a jump in share from 27 to 38 percent, more than a 40-percent increase. At the same time, development funding has dropped by nearly 40 percent.

To see more specifically how that Federal support for basic research has grown, we can look at the next chart titled "Basic Research Obligations." Here we see basic research for the five largest R&D funding agencies since 1978. As you can see, all five agencies have had strong and consistent growth, and in four of those cases that growth follows level or even declining real budgets in the 5 years before.

The last chart is "Basic Research Obligations to Universities and Colleges." When we look at the portion of basic research that has gone specifically to universities and colleges, the result of the R&D policy is even more pronounced. Although it's not shown, we could trace a consistent decline in basic research funding for universities back to 1968, and where the chart picks up, we see that there was essentially no growth from 1979 to 1981. However, from 1981 to the level being proposed for 1985, this support for universities grows by 26 percent—again in real terms.

1985 R&D BUDGET

Now with that as a prelude, let me just briefly discuss some of the highlights of the President's proposed 1985 R&D budget.

Total Federal R&D will increase in 1985 to $53 billion. Over the 4 years of the Reagan administration, Federal funds for R&D have increased by 55 percent, with this year's increase being 14 percent. The largest increase in 1985 will go for defense R&D, which increases 22 percent and will support the continuing defense modernization. We're still in the position of having to pay special attention to these defense modernization needs to compensate for inadequate funding during the previous decade.

Basic research is targeted for the next largest increase, 10 percent, and will rise to $7.9 billion in 1985. Half of that support will go directly to universities and, as I said, a good bit more is destined to make possible faculty research in Federal facilities.

As in previous years, we're applying those basic research increases selectively to areas of strong opportunity and excitement. We continue to give high priority to project support for university research through agencies like NSF, NIH, DOE, and NASA. I would say that this kind of support may be the most important element of the budget in continuing on the path to restoring the health and vitality of our Nation's universities.

SCIENCE AND R&D POLICY

I realize this brief overview hardly does justice to the complex subject of science and R&D policy, nor does it provide detailed information on fiscal year 1985 programs. However, I do hope I've managed to portray some of the important elements for you in this short time.

OSTP'S BUDGET REQUEST

Now, finally, I'd like to present a summary of our Office's specific budget request for fiscal year 1985.

We are requesting an appropriation of $2,194,000, which is an increase of $244,000 over the amount appropriated for OSTP in fiscal year 1984. Sixty percent of that request covers personnel, compensation, and benefits, a total of $1,311,000. This figure includes costs incurred for all individuals employed by OSTP, as well as for 50 percent of those employees detailed to OSTP from other agencies. The full-time equivalent positions for the Office will remain at 23 for fiscal year 1985.

Standard level user charges, communications, utilities, and other rents account for 28 percent of the request. This figure reflects higher rates imposed by GSA for 1985.

We are also submitting a request for a fiscal year 1984 pay supplemental for $38,000. This is needed to cover costs mandated for the 3.5 percent general pay raise during fiscal year 1984, for the employer's portion of employee old age survivors and disability insurance and hospital insurance, a tax for new Federal employees who begin employment on or after January 1,

Senator Abdnor, this concludes my formal presentation. I would be pleased to answer any questions you may have.

[The statement follows:]

STATEMENT OF DR. GEORGE A. KEYWORTH II

Senator Garn and Members of the Subcommittee:

I'm especially pleased to have the chance to meet with you today to present and discuss the Office of Science and Technology Policy's budget request for fiscal year 1985. But since one of the major purposes of OSTP is to assist the President in formulating and implementing Administration science policy, I'd like to take a few minutes to talk about science policy and to present some highlights of the President's proposed 1985 programs for research and development.

FY 1985 marks the President's fourth R&D budget request, so I think it's timely to offer an accounting of the accomplishments and impacts of science policy during the course of this Administration.

Mr. Chairman, when I met with you last March I stressed the importance of the federal government's role in support of basic research. In fact, I consider that responsibility to be a federal trust. The reason for this responsibility is that basic research is a vital underpinning for our national well-being. There are three reasons for that.

First, research grants to universities permit the training of tens of thousands of graduate students under some of the most demanding and stimulating research conditions anywhere. This new talent will be responsible for maintaining American technological leadership in coming years.

Second, strong support for basic research permits U.S. scientists and engineers to challenge intellectual frontiers in the most important fields of science and technology. That provides the new knowledge that drives our economic growth, improves our quality of life, and underlies our national defense.

And third, well chosen basic research projects stimulate productive partnerships between scientists and engineers in all sectors of society--partnerships that are increasingly vital to development of new technologies that will keep American industry competitive with improving foreign companies and will speed the application of new knowledge to our increasingly technological defense needs.

So not only is basic research an essential investment in the nation's long-term welfare, but it's largely a federal responsibility because its benefits are so broadly distributed.

Mr. Chairman, I'd like to refer to the three charts attached at the last pages of my prepared testimony. The first chart, titled "Federal R&D Obligations," shows the relation among the major three categories of federal R&D--basic research, applied research, and development. Over these four years our policy has been grounded in an emphasis on basic research, for the reasons I've just described, and a concomittant reduction of government support for demonstration, development, and applied research projects that are more appropriate for the private sector. In particular, we made substantial reductions in energy-related demonstration projects. So when we look at these three categories of federal funding in non-defense areas we see a startling shift in relative priorities during this Administration.

Please note that this and the other charts show constant 1983 dollars, which means the curves have been corrected for inflation and represent actual purchasing power. You can see how basic research has gone from the smallest fraction of that non-defense R&D to the largest, with a jump in share from 27 to 38 percent--more than a 40-percent increase. At the same time, development funding has dropped by nearly 50 percent.

To see more specifically how that federal support for basic research has grown, we can look at the chart titled "Basic Research Obligations." Here we see basic research for the five largest R&D funding agencies since 1978--again, in constant dollars. As you can see, all five agencies have had strong and consistent growth, and in four of those cases that growth follows level or even declining real budgets in the five years before.

The last chart is "Basic Research Obligations to Universities and Colleges." When we look at the portion of basic research that has gone specifically to universities and colleges, the result of the R&D policy is even more pronounced. Although it's not shown, we could trace a consistent decline in basic research funding for universities back to 1968, and where the chart picks up we see that there was essentially no growth from 1979 to 1981. However, from 1981 to the level being proposed for 1985 this support for universities grows by 26 percent--again, in real terms.

Moreover, the true impacts on universities are even greater, because so much university research draws on federal investment in unique centralized facilities. In fact, substantial amounts of the funding that shows up as federal and national labs actually support university research in physics, astronomy, materials sciences, and space sciences. So I want to stress that these graphs and numbers reflect a point I've been making for as long as I've been in Washington--that the Reagan Administration is the strongest supporter of basic research that we've seen in twenty years.

I want to call your particular attention to the consistency shown in these trends, because as I'm sure you know, one of the most serious detriments to good science is what is called roller-coaster funding. Most good research programs require many years to plan and carry out, just as it requires many years for new ideas and, especially, new talent to develop, mature, and become productive. So I see this consistency as a major element of R&D policy, an element that I hope the federal government and science community will be able to maintain in coming years.

Now, with that as prelude, let me briefly discuss some of the highlights of the President's proposed fiscal year 1985 R&D budget.

Total federal R&D will increase in 1985 to $53 billion. Over the four years of the Reagan Administration federal funds for R&D have increased by 55 percent, with this year's increase being 14 percent. The largest increase in 1985 will go for defense R&D, which increases 22 percent and will support the continuing defense modernization. We're still in the position of having to pay special attention to these defense modernization needs to compensate for inadequate funding during the previous decade.

Basic research is targeted for the next-largest increase, 10 percent, and will rise to $7.9 billion in 1985. Half of that support will go directly to universities and, as I said, a good bit more is destined to make possible faculty research in federal facilities.

As in previous years, you'll find we're applying those basic research increases selectively to areas of strong opportunity and excitement. Although not readily identified in the budget information, we continue to give high priority to project support for university research through agencies like NSF, NIH, DOE, and NASA. I would say that this kind of support may be the most important element of the budget in continuing on the path to restoring the health and vitality of our nation's universities.

There are also several new programs and projects that I want to highlight, because they embody our determination to retain U.S. scientific and technical leadership in those fields we believe to be most important. Of these 1985 initiatives I'll mention only six, but I think they're representative of the kinds of actions we're taking.

First, in 1985 the National Science Foundation will initiate a new program in universities to integrate both research and teaching needs for engineering. This program is being developed with the broad participation of the engineering community and the National Academy of Engineering. The aim is to establish cross-disciplinary centers in which students and faculty can work on broad research problems of the type facing industry. In particular, we expect these centers to help tomorrow's engineers learn how to use the increasingly available new computing tools through the design process. This is one of several new efforts at NSF to improve university engineering.

Second, in addition to the manned space station on which work will begin in 1985, NASA will also begin work on the Upper Atmosphere Research Satellite. UARS will finally give us a global system to investigate the physics and chemistry of the stratosphere and to monitor its chemical composition for an extended time. This information is of increasing importance with regard to potential man-made changes in the ozone layer and to possible effects on weather and climate. NASA will also begin work on a Mars planetary orbiter.

Third, the Department of Agriculture will greatly expand its competitive grants program to bring the advances of modern biology to agricultural sciences. This will include a substantial new agricultural biotechnology research effort within that program.

Fourth, both NSF and DOE will provide increased access for university researchers to supercomputers, and they and DOD will find increased research that will be applicable to future generations of supercomputers. Increased access to the computers will stimulate the continuing development of software and permit academic scientists and engineers to learn how supercomputers can be used in research. These steps will, in turn, stimulate U.S. commercial manufacturers to continue strong development of new machines.

Fifth, we will begin R&D on advanced superconducting particle accelerator concepts. This will permit us, at some point later in this decade, to decide whether or not to proceed with the next-generation machine, a Superconducting Supercollider.

And sixth, construction continues in FY 1985 for the Center for Advanced Materials at Lawrence Berkeley Laboratory. The project has benefited during the past year from thoughtful review and recommendations from the materials science community, recommendations which are being implemented. Our original objectives for the center are unchanged--a place to bring together a range of materials and other scientists from academia, industry, and federal laboratories to work on problems of fundamental importance to future technology.

I realize this brief overview hardly does justice to the complex subject of science and R&D policy, nor does it provide detailed information on FY 1985 programs. However, I hope I've managed to portray some of the important elements for you in this short time.

Now, finally, I'd like to present a summary of OSTP's specific budget request for fiscal year 1985.

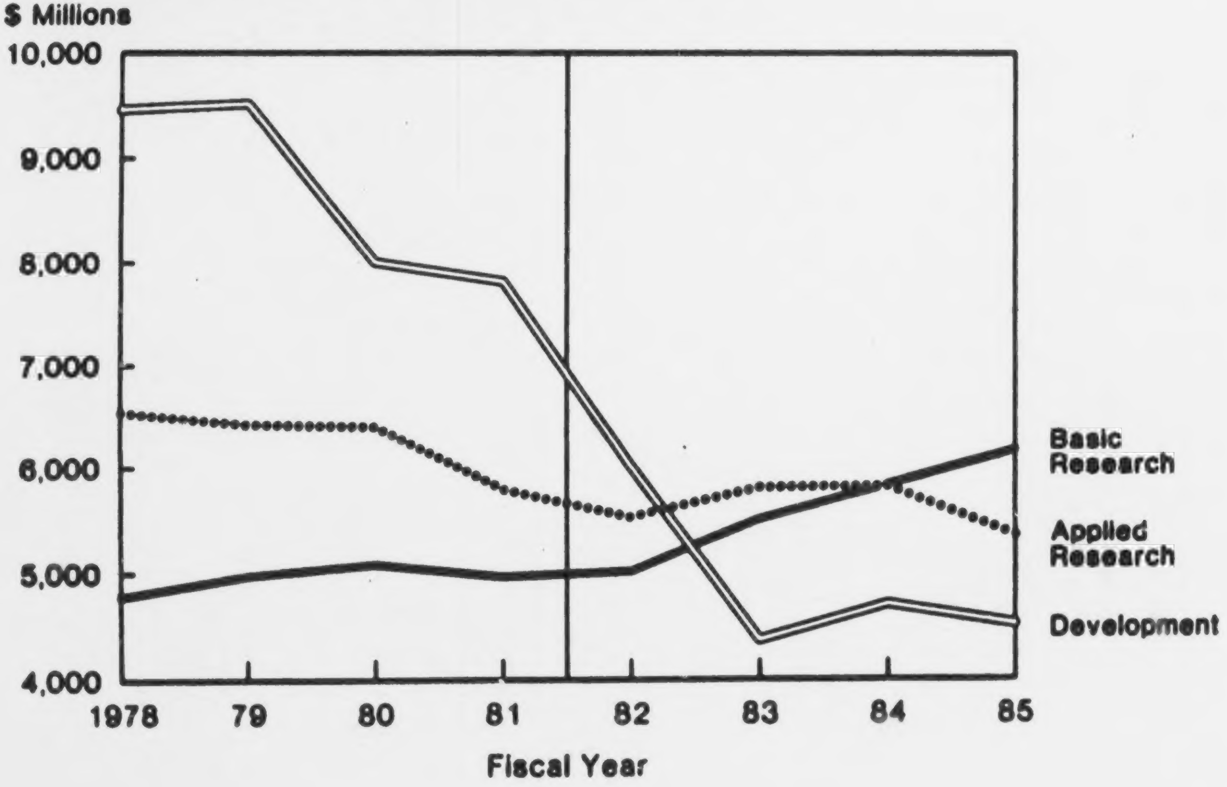
We're requesting an appropriation for OSTP of $2,194,000, which is an increase of $244,000 over the amount appropriated for OSTP in FY 1984. Sixty percent of that request covers personnel compensation and benefits, a total of $1,311,000. This figure includes costs incurred for all individuals employed by OSTP as well as for 50 percent of those employees detailed to OSTP from other agencies. The full-time equivalent positions for the Office will remain at 23 for FY 1985.

Standard level user charges, communication, utilities, and other rents--a total of $618,000--account for 28 percent of the request. This figure reflects higher rates imposed by GSA for FY 1985. The balance of the request, $265,000, covers travel, repairs and maintenance of equipment, printing, procurement, supplies, and other administrative expenses.

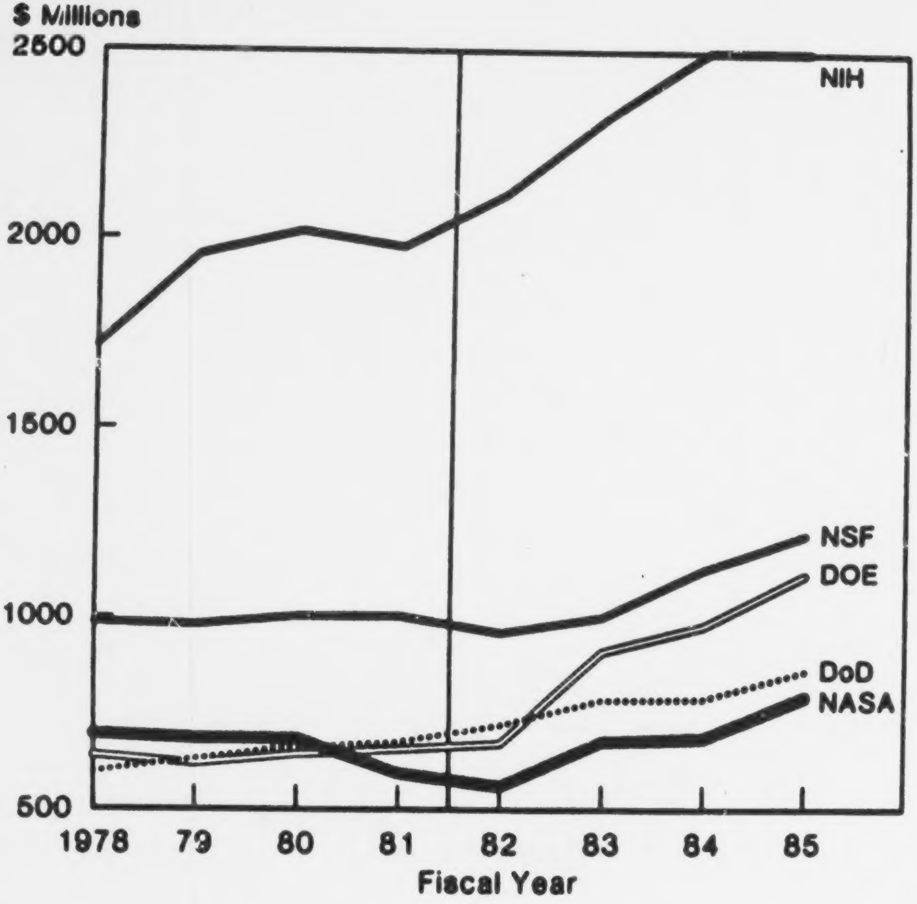
We're also submitting a request for an FY 1984 pay supplemental for $38,000. This is needed to cover costs mandated for the 3.5-percent general pay raise during FY 1984, for the employer's portion of employee Old Age Survivors and Disability Insurance (OASDI) and Hospital Insurance (HI), a tax for new federal employees who begin employment on or after January 1, 1984.

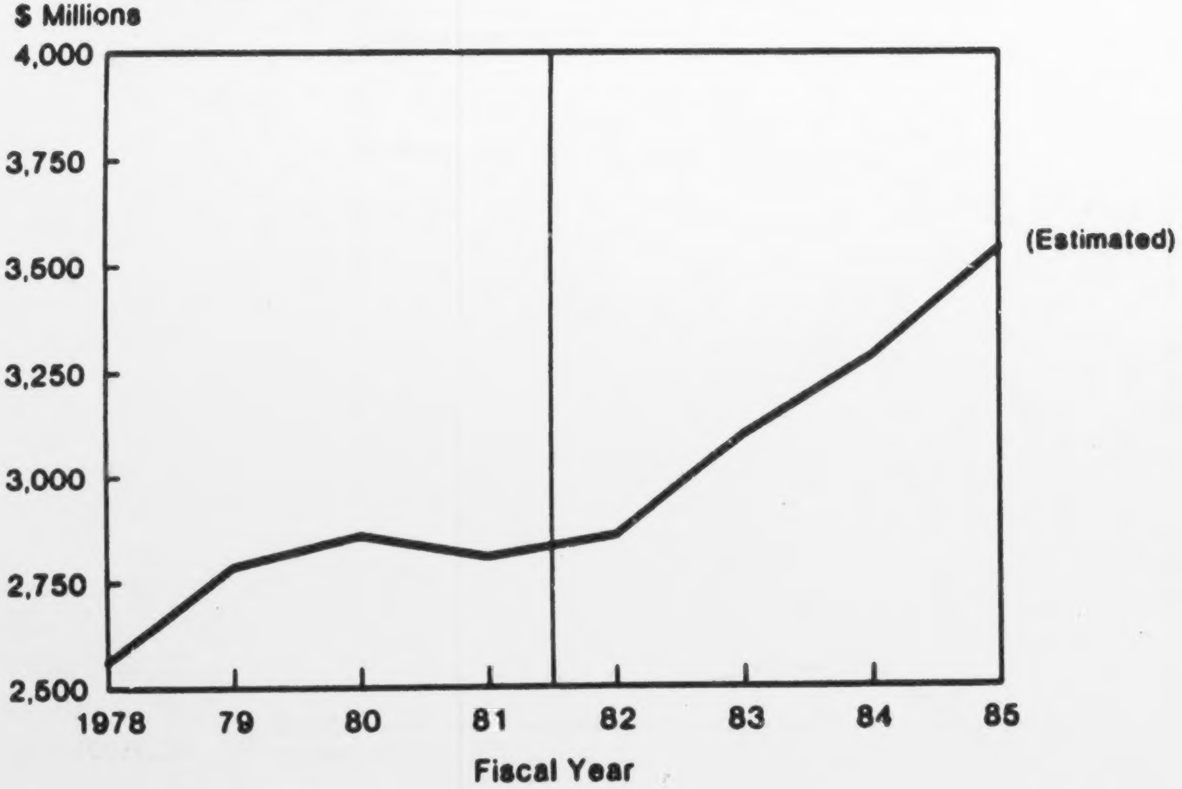
Mr. Chairman, this concludes my formal presentation. I would be pleased to answer any questions from the Committee.

Federal R&D Obligations
(Non-Defense) in Constant 1983 Dollars



Basic Research
Obligations
(Constant 1983
Dollars)





Basic Research Obligations to Universities and Colleges
(Constant 1983 Dollars)

Senator ABDNOR. Thank you, Dr. Keyworth.

Mr. Jennings, you don't have a statement?

Mr. JENNINGS. No, Senator.

LEGISLATIVE AND REPROGRAMING REQUIREMENTS

Senator ABDNOR. Last year and the year before, Chairman Garn noted that the OSTP had violated several funding limitation provisions contained in the HUD appropriations bill. Since last year's hearings you have been more successful in managing your funds within the limitations contained in the law. Furthermore, the relationship that has evolved be-tween your Office and the committee relative to reprogramming is greatly improved. Chairman Garn wants to thank you for your efforts in this area.

Mr. KEYWORTH. Thank you very much.

SUPERCOMPUTERS

Senator ABDNOR. On February 27 the Chairman sent you a letter requesting your assistance in conducting a special hearing on supercomputers and he appreciates your cooperation in this regard.

Who on your staff have you assigned to assist the subcommittee?

Mr. KEYWORTH. Dr. DeVries would be in charge of this cooperation and he is here directly behind me.

Senator ABDNOR. Good. Thank you.

MANNED SPACE STATION

Last year we discussed the rationale for the development of a manned space station. Our discussion has, to some extent, been overtaken by events. NASA's fiscal year 1985 budget contains a request for $150 million for the initial design of a manned space station. Nevertheless, the Congress has not yet acted and we must consider all of the options. As you know, Chairman Garn has been interested in exploiting robotics in the operation of a space station. Consequently, I would like you to answer several questions relating to the administration's position of a manned space station.

First, has OSTP or NASA identified a mission set around which to design a station?

Mr. KEYWORTH. NASA has, during the last couple of years, worked quite hard to try to develop exactly that mission set. I think we must remember, however, Senator, that it is very much an evolving mission set that must be recognized as responding to industrial opportunities in space. So I would say that, yes, a preliminary mission set that will certainly aid in the initial design phase has been developed.

ANALYSIS OF SPACE STATION

Senator ABDNOR. Have you or NASA performed an analysis on an assumed mission set to determine which missions and/or function can be automated and which require an on-board manned presence?

Mr. KEYWORTH. Senator, that issue is beginning to receive som serious attention and I am delighted that you raise it because I think i is a very, very important issue. I, for one, certainly feel that we can benefit immensely from the rapid advances and automation technology that are available in the United States and we should be sure to capitalize on it as much as possible. There is a role for man, but I personally believe that there is always a danger of assuming that man's role is the end in itself. Man is a very flexible robot, if you wish, and that very flexibility is needed. But I think your question represents the same concern that we have had—insuring that we use the flexibility of a man where required and that we use, exploit, and advance automation technology where it is appropriate. I think this will be a key element in our program plans.

Senator ABDNOR. Good.

TECHNOLOGY BREAKTHROUGHS FOR SPACE LAB

Have you or NASA identified the technological breakthroughs necessary to automate those functions currently being performed by humans aboard space lab?

Mr. KEYWORTH. I don't believe that that has received significant attention yet, but it will be a major area of concern within the coming year.

COSTS FOR SPACE LAB

Senator ABDNOR. Have you or NASA analyzed the cost differential of performing a core mission set via automation versus manned presence?

Mr. KEYWORTH. I am not aware of any data or study to answer again a rather valid question.

Senator ABDNOR. These questions should provide some thought as to where the subcommittee and Chairman Garn are coming from in this regard.

SUBMITTED QUESTIONS

Well, there are a lot of questions. I am sure there will be additional questions, something like 19 pages of questions that have been prepared. We are going to submit those to you in writing. I am sure that will be more satisfactory in the long run on these technical questions rather than verbally.

Senator ABDNOR. We appreciate your being here today and your testimony.

Let me again say Senator Garn I know would have liked to have been here himself because he enjoys this area of the committee.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

EMPLOYMENT OF SCIENTISTS AND ENGINEERS

Question: Last year, we discussed the shortage of scientists and engineers. I noted that a February 1983, NSF report found that although, "The surge in demand for scientists and engineers in 1981 produced shortages of new graduates in computer- and energy-related fields, by mid-1982, however, recruiters reported that these shortages had eased substantially".

In response you stated that "as the economy continues to regain its strength, this demand will pick up."

On December 9, an article appeared in Science magazine on the job situation for scientists and engineers. The article concludes that "a softer job market for scientists and engineers is indicated by data from more than 50 recent surveys" the article goes on to state that "salaries offered new graduates in science and engineering disciplines this year changed little from last year and the volume of job offers was down sharply in most disciplines."

Given the fact that the economy is on the upswing, how do you account for the downward trend in job offers and what do you see as the long range supply and demand prospects?

Answer: The market for scientists and engineers has improved in the past year; e.g. the Deutsch, Shea and Evans High Technology Recruitment Index of engineering demand is back over 100. However, as is often the case after a recessionary period, corporations are hiring conservatively.

The demand will likely continue to be much stronger in a few specific fields, e.g. electronic engineering and computer science - but we have never given much credibility to the massive shortages forecast by, e.g. AEA. Supply is fungible, and scientists and engineers are not nearly as immobile as surveys like to assume.

The real issue here is not quantity but quality. There will continue to be high demand for the best graduates - this has been the case even during the low point of recessions. The 75 percent rejection rate for applicants to engineering schools is not a national disgrace, but a symbol of our schools' commitment to quality, and of the effectiveness of our current system in responding to demand. It also points out the irrelevance of the fact that the Japanese produce twice as many engineers per capita as we do.

Finally, the S&E demand changes in the past year emphasize that the market has a time constant an order of magnitude shorter than the government. It clearly demonstrates the folly of trying to get the government to run the S&E supply system.

GOVERNMENT-WIDE R&D FUNDING

Question: A review of Special Analysis K of the budget shows a healthy increase of $6.4 billion or 13.7 percent for total government-wide R&D over the FY 84 level.

This increase is comprised of a $6.1 billion increase in DOD R&D and a $0.3 billion increase in non-DOD. This represents an increase of about 22 percent for DOD and a 1.6 percent increase for all other agencies.

Do you consider the distribution for this increase to be unbalanced in terms of the historic proportion of R&D devoted to DOD programs?

Answer: Historically, the percentage of Federal R&D devoted to defense-related activities has ranged from in excess of 80 percent in the 1950s (88 percent in 1953, 80 percent in 1960) to a low of 47 percent in 1979. Given that the Administration's science policy clearly states that the government should not fund applied research and development except where the government is the primary customer, that defense is the primary area where this is the case, and that industry's rule of thumb is that every dollar of research requires ten dollars for development, the current distribution of the Federal R&D budget is not, in our view, unbalanced.

Question: The same analysis shows a $576 million or 9 percent increase for non-DOD basic research.

How does this compare to prior years?

Answer: Non-defense obligations for basic research increased $606 million in FY 1985, an increase of 9.5 percent. Last year, non-defense basic research increased $779 million, or 14 percent. The following table shows non-defense basic research in constant 1983 dollars over the past several years.

FY	Non-defense Basic Research	Percent change
1978	4779	
1979	4975	4.0
1980	5080	2.1
1981	4966	-2.2
1982	5013	0.9
1983	5599	11.7
1984	6114	9.2
1985	6387	4.5

Question: What policies have you or this Administration articulated relative to the proper role of industry vs the Federal Government in funding R&D?

Answer: As I have spelled out in more detail in the last two issues of the President's Annual Science and Technology Report to the Congress, and in testimony, the Administration believes that industry's role in funding R&D is to support such work, and education, as is necessary to convert the knowledge generated by all other sources into the products and processes necessary to meet its market needs, to seize such new market opportunities as may arise, and to remain internationally competitive.

NATIONAL SPACE POLICY

Question: In July 1982 the President announced the results of an OSTP led interagency review on a National Space Policy. One of the principles contained in that policy was a determination to rely on the Space Shuttle as the primary means of meeting civil and military space requirements.

Since then a lot has happened. The President has further announced his intent to encourage the private sector to provide commercial expendable launch vehicles (ELV). The DOD is proposing to develop a new ELV backup capability to the shuttle. Chairman Bowland and I wrote to NASA, directing the National Academy of Science to look at shuttle derived expendable vehicles.

What role do you see for expendable launch vehicles -- for both government and commercial services?

Answer: As the space program continues to develop and the commerical utilization of space continues to grow, we can expect to see a concomitant increase in the need for both the Shuttle and commercial ELVs. There are likely to be a number of circumstances in which a commercial ELV will be advantageous or necessary.

Commercial ELV's are likely to be particularly cost-effective on some occasions for the launch of small satellites into polar orbit. The launch rate for polar orbiters of Vandenberg Air Force Base is expected to be relatively low compared to the launch rate out of the east coast for lower inclination missions. Consequently, a customer wishing to place a small satellite into polar orbit may find it preferable to use a dedicated ELV rather than pay for a dedicated Shuttle launch.

Commercial launch vehicles will also provide scheduling that will not always be possible on the Shuttle. A quick call-up launch will sometimes be more readily accommodated with an ELV. A foreign customer can have confidence of being able to launch as scheduled without risk of being bumped by a higher priority Shuttle customer if he's on an ELV.

As the DOD has noted, there will always be a need to have some backup capability for the Space Shuttle in order to be fully prepared to meet national security needs. This backup capability can also be met to a large degree with ELVs purchased from commercial suppliers.

Question: Do you have a particular reason, at this time, to support a Shuttle vs non-shuttle derived LEV?

Answer: I want to emphasize that the Space Shuttle and commercial ELVs both have important complementary roles to play. Those roles depend on factors such as the specific orbit and schedule requirements of the launch, the value of utilizing interaction and participation by a crew in space to support the launch, and the economics of the particular launch requirement.

NSF FELLOWSHIPS

Question: This year NSF is requesting $21 million for NSF fellowships. The increase of $700,000 over FY 84 represents a small increase in the stipends and a decrease of 50 first year fellowships from the FY 84 level.

Do you consider it more important to raise the stipend by $900, as proposed, or for the same total amount restore the number of new fellowships to the FY 84 level?

Answer: The key objective of the NSF fellowships is to attract the very best young scientists and engineers into graudate school. In order to do this, they must compete with the salaries and job offers they undoubtedly receive when they complete their bachelor's degrees, and also provide sufficient funds to match the continuing rise in the costs of higher education.

Question: How important do you consider NSF fellowships in our overall efforts to improve the quality and quantity of scientists and engineers?

Answer: In my view, it is imperative that the stipend levels be increased, at the expense of total fellowships if necessary, in order to maintain their historical prestige and attractiveness.

ACID RAIN

Question: In FY 85 the Administration is proposing to essentially double the funds devoted to acid rain research.

What are the basic research issues that still need to be resolved and your estimate as to how long it will take to resolve these issues?

Answer: Virtually all scientific aspects of the acid rain issue need more data and information. Budget increases will focus mainly on quantifying ecological effects of acid deposition and researching the source-receptor relationship. Many significant scientific uncertainties about acid rain will extend well into the future because of our failure to collect data 20 and 30 years ago before we were aware of the utility of such knowledge.

Question: Are there any regulatory actions that could be taken now based on our existing knowledge of the problem?

Answer: OSTP is not directly involved in regulatory activities and I am certainly not an expert on such issues. The scientific reality of acid rain, however, can give some insight into regulatory matters. What I mean by that is -- acid rain is a problem that appears to be precisely soluble by a straightforward sum of existing technological and legislative fixes, but it is not. It is a problem that will not be solved in a closed fashion, but will be treated progressively. As knowledge and understanding steadily increase, actions will be taken which appear most effective and economical at each stage.

NSF INITIATIVE IN CROSS-DISCIPLINARY ENGINEERING CENTERS

Question: In FY 85 NSF is requesting $10 million for a new initiative in support of cross-disciplinary research in engineering.

Could you describe the role, if any, that OSTP had in the development of this concept and your appraisal of the importance of this new initiative?

Answer: The original concept of the Cross-Disciplinary Engineering Centers arose last Fall as the result of a briefing by Michael Wozeny, George Low, and Jim Lardner to Dr. Keyworth, and key staff from OSTP and NSF, on the COSEPUP Report: "report of the Research Briefing Panel on Design and Manufacturing." As a result of further discussions between NSF and OSTP, in which the possibile applicability of some of the conclusions of the report to engineering research and education were explored, Dr. Knapp wrote to the NAE in December 1983, with our full support, requesting advice on how to structure an engineering center program in academia.

The concept of the cross-disciplinary centers is exciting because they combine many of the key elements which we have been stressing as central to our science and technology policy: the role of the universities as the prime location for basic research; the opportunity (indeed requirement) for cross-disciplinary work focused on real world problems, and hence the direct interaction between university and industry (technology transfer); the opportunity for students to have direct exposure to industry priorities and constraints; and the chance for companies and university departments to contribute to and to share key research equipment and facilities. I rate these new centers as the most exciting new organizational concept in many years.

CONTROLS ON SCIENTIFIC PUBLICATIONS

Question: In December 1982, the Administration launched a high-level review of ways to control the publication of scientific papers that contain unclassified, but militarily sensitive information. The review, was being coordinated by OSTP and was initiated by a presidential directive. At last years hearings you indicated that the study should be completed near the end of 1983.

What is the current status of this study and what conclusions can you share with us?

Answer: The study on this area has been completed. A draft document dealing with the results of the study has been submitted for interagency review. The document is classified and the conclusions in the draft report should not be discussed for that reason.

ADMINISTRATIVE BURDEN

Question: Last year in response to a question of mine, you indicated that OMB Circular A-21 had been amended, in order to give universities greater flexibility in allocating salary costs and to reduce the administration burden. You further stated that you "also asked the White House Science Council to look further into this question".

What has happened since you made that request?

Answer: For some time now, the White House Science Council, my staff, and I have been looking into problems facing American research universities. Of these problems, administrative burden caused by Federal government accounting requirements is only one. A broader issue deals with the entire infrastructure of our research universities -- that is, the total support system for teaching and research. I am proceeding with a review of this issue with the Science Council.

We will also consult with the National Science Board and the National Academy of Sciences. My expectation is that some preliminary recommendations for Federal policy and action will be forthcoming this Fall.

CHANGES IN GOVERNMENT WIDE BASIS RESEARCH FUNDING

Question: Last year we asked you to provide a chart, for the record, that displayed the changes in basic R&D funding since 1960. That chart appeared on Page 541 of our hearing record.

Could you please update that chart for the record?

Answer: The following numbers are the changes in Federal basic research funding for the last four fiscal years in millions of dollars:

	Current Dollars	Increase	Constant Dollars (1982)	Increase
1982	5482	441	5482	85
1983	6383	901	6108	626
1984	7193	810	6599	491
1985	7925	732	6931	332

USE OF DETAILEES

Question: In their action on the FY 83 HUD Appropriations Bill, the House reduced your budget by some 14 percent and included a proviso prohibiting the use of non-reimbursable detailees after March 31, 1983. As you recall, we had a similiar concern that the use of large numbers of non-reimbursable detailees would place a burden on the providing agencies and also make it difficult to perform oversight on your budget.

After some staff discussion, you agreed to limit your non-reimbursable detailees and the House receded both on the dollar amount and the proviso. The conference report language states:

> "... the conferees direct the Office to limit the number of non-reimbursable detailees to 50 percent of the total detailees used by the Office during fiscal year 1983."

I understand that you are still operating under this same set of guidelines in FY 84 -- is that correct?

Answer: Yes, we are still operating under this same set of guidelines in FY 84.

Question: What is your experience, to date, in FY 84 in terms of staff months of non-reimbursable employees?

Answer: At the present time we have employed 60 months of non-reimbursable employees and we intend to employ 144 in FY 84.

Question: Has this restriction hampered the operation of the Office?

Answer: This restriction has not hampered the operation of the Office.

Question: How many staff months of reimbursable and non-reimbursable detailees do you intend to have in FY 85?

Answer: The Office anticipates that in FY 85 we will maintain 144 staff months for reimbursable and 144 staff months for non-reimbursable detailees.

NASA/DOD COOPERATION IN AERONAUTICS

Question: Last year, at our hearing I questioned you about your recommendation that NASA, DOD and industry establish a high level committee to review all aeronautic research and technology. At that time you stated that you had asked NASA and DOD to take the lead in developing a coordinating plan for forming such a committee. You went on to say that you expected NASA and DOD to submit this plan by April 1, 1983.

What is the current status of the plan and the proposed Committee?

Answer: Soon after my appearance before this Subcommittee last year, the Office of Science and Technology Policy formed the Aeronautical Policy Review Committee. We assembled a group of distinguished senior officials from both the public and private sectors who represented a broad constituency of the aeronautics community. They were asked to review -- from a national perspective -- the government's long-range aeronautical research and technology plans, with a particular eye to consistency with the policy, to their overall direction, and to their likelihood of permitting timely exploitation of key opportunities. The Committee reported their findings and recommendations to me last November.

They found that while the goals and overall direction of our current research and technology programs are generally appropriate and consistent with the technical aspects of the policy announced in 1982, we can still do more to develop more aggressive and imaginative national vision to guide aeronautics research and technology for the remainder of this century. Ultimately we must focus more on truly long-term, high-risk research and technology -- areas of potential technological breakthroughs, revolutionary new systems, and advanced concepts.

Based upon the Committee's recommendations to me, I've requested that NASA and DOD convene with industry and the university community to develop a visionary outlook for the state of aeronautics in the year 2000. Their task is to assess the optimal research and technology development path, facilities, and resources need to achieve this vision. I've asked them to identify the most important and highly leveraged areas of technology advancement, those that should be pursued most vigorously, and to point to potential new directions and emphases in our aeronautical research and technology plans.

I expect the results of this long-range assessment to be reported back to me by the end of April 1984.

Senator Garn—Continued

STANDARD LEVEL USER CHARGES

Question: In FY 85 you are anticipating an increase of SLUC from $14.87 a square foot to $28.46 per square foot for office space in the Old Executive Office Building (OEOB).

Is every other agency occupying space in the OEOB expected to pay $28.46 per square foot during FY 85?

Answer: Yes, every other agency occupying space in the OEOB is expected to receive the same rate per square foot.

CONSULTANTS

Question: Please provide a list of the 49 consultants appointed to assist OSTP. Indicate the individuals affiliation and the total amount of fees paid to each individual during FY 83 and during FY 84.

Answer: The following individuals are paid Consultants to the Office of Science and Technology Policy:

Name	FY 83 Fees Paid	FY 84 Fees Paid
William C. Ackerman	6,250.02	.00
Bruno W. Augenstein	.00	.00
Bernadine H. Bulkley	.00	2,426.76
Kelly H. Burke	.00	.00
Mary Lee Chatrnuck	.00	1,056.36
David H. Evans	5,129.71	1.120.28
Ronald B. Frankum	.00	.00
Herb Hoppe	12,054.65	4,674.53
Benjamin Huberman	.00	.00
Richard G. Johnson	.00	15,440.72*
Wayne Kay	.00	1,588.80
Gene E. Likens	4,569.58	1,002.36
Mark Mills	8,922.52	1,372.67
James A. M. Muncy	1,159.57	9,477.48
William A. Nierenberg	5,592.08	447.83
Ruth Patrick	3,714.64	.00
N. Douglas Pewitt	.00	.00
Jackie Precourt	1,148.35	.00*
Julie A. Rahn	.00	.00
Kenneth A. Rahn	4,377.97	2,054.70
Victor H. Reis	.00	.00
Frank S. Rowland	7,547.68	1,650.95
Malvin A. Ruderman	5,424.55	591.28
S. Fred Singer	6,576.55	1,714.72
Sayre Stevens	.00	.00
Jasper Welch	.00	.00
Ross Williams	.00	.00

Total: 27

* We have added one additional Consultant to our roles since our budget estimates have been submitted. Dr. Johnson and Ms. Precourt are no longer Consultants to the Office of Science and Technology Policy. Consultants serving the OSTP with compensation as of March 1, 1984 is 25.

The following individuals serve the OSTP without compensation:

- Harold M. Agnew
- William A. Anders
- D. Allan Bromley
- Solomon J. Buchsbaum
- Gregory H. Canavan
- George A. Cowan
- Edward E. David
- Donald S. Fredrickson
- Edward A. Frieman
- William Geiger
- Paul E. Gray
- Robert O. Hunter
- Arthur K. Kerman
- Harold W. Lewis
- John P. McTague
- Joseph G. Morone
- James C. Moxley
- Albert Narath
- David Packard
- Robert L. Silverstein
- Isadore M. Singer
- Edward Teller
- David D. Thomas
- Charles H. Townes
- Albert D. Wheelon

Total: 25

Question: What characteristics, if any, differentiate those individuals that are compensated from those that serve without compensation?

Answer: We do have a number of consultants, in industry primarily, whom the Director has found it necessary to call upon and who are required to maintain appropriate security clearance to assist in projects designated by the Director.

When a Consultant expresses the need or desire for compensation, they have been compensated. Each Consultant is handled as a separate case. Some of our Consultants do not desire compensation for services rendered to the Office but prefer to consider their service a personal contribution to the country, administration and the Science Advisor. Other individuals may be receiving Government annuities and are allowed little or no compensation above and beyond the amounts they are already receiving.

Each Consultant is difference and the reasons for declining compensation vary. Consulting fees are a personal matter that has been decided by each individual after consultation with the Director.

OTHER PERSONNEL COMPENSATION

Question: Page 6 of your budget justification shows an increase in "other personnel compensation" from 4,000 in FY 84 to 15,000 in FY 85.

Senator Garn—Continued

Could you explain the need for those additional funds in FY 85?

Answer: We estimate an increase of $11,000 for payments of overtime and holiday hours worked by the support staff under this category. The increase is caused by office workload requiring additional overtime and holiday work. At the present time in FY 84 we have expended $7,200. It is anticipated in FY 85 the office workload will remain consistent.

FOREIGN TRAVEL

Question: How much do you expect to spend in FY 85 on foreign travel?

Answer: We estimate that approximately $48,000 will be expended in FY 85 for foreign travel.

Question: How does this relate to your FY 83 and FY 84 amounts?

Answer: During FY 83 we expended/obligated $41,561 and we anticipate we will expend approximately $48,000 in FY 84 since costs for overseas travel have increased.

WHITE HOUSE SCIENCE COUNCIL

Question: Please describe the activities and funding of the White House Science Council for FY 84 and FY 85?

Answer: The White House Science Council continues to advise the Director on science and technology issues of specific concern to the President and his counsellor as well as other issues of importance to the nation. The Council has concerned itself with a number of issues assigned by the Director while also keeping him informed of changing perspectives in the science and technology communities.

During FY 84 $50,000 has been estimated for expenses incurred by the Council.

During FY 85 $50,000 has been estimated for expenses incurred by the Council.

White House Science Council agenda items:

March 1982	Advanced Military Technologies Civil Defense National Laboratories Air Traffic Control Appointments to NSB, NSF

Senator Garn—Continued

May 1982	Federal Lab Panel Report FAA Panel Report Biology & Regulatory Review SNM Panel Report Military Tech Panel Report CIA Tech Transfer Briefing Budget and Basic Science NAS Astronomy Report International Defense Energy
July 1982	Life Sciences & Institutional Relations International Affairs FAA Panel Report Federal Lab Panel Report
September 1982	FAA Panel Report Federal Lab Panel Report Falkland Briefing Aero Panel Results Military Tech Panel Report SNM Panel Follow-up, and International FY 84 Science Budget
November 1982	Space Program Review Budget and FAA Report Progress and Prognosis Science Program Review and General Discussion Space Program Review and AERO Panel Results India Blue Ribbon Panel Versaille Summit & Energy and Natural Resources Update Briefing on Winrock Report DOD Lab Study Briefing
January 1983	Budget Review MX Briefing Military Tech Panel Briefing US/India Update Nuclear Waste Disposal Science Education
March 1983	Space Program Nuclear Licensing Reform and Legislative Proposals for Natural Gas Deregulation CRBR Fundraising and the Reprocessing Initiative Versailles Summit Report and Williamsburg Summit Plans Federal Lab Study Results of Senior Scientific Panel on Indo-US Cooperation Status Report on Science Education Review of OMB Circular A-21

Senator Garn—Continued

May 1983	Role of WHSC in Support of President's Defense Initiative (Star Wars) Space Program New Conventional Defense Technology Initiatives Williamsburg Summit Update Status of FAA Panel Report Presentation of Federal Laboratory Review Panel's Final Report U.S.-China S&T Cooperation; Trip Report Acid Rain Peer Review Panel; Status Report
July 1983	OMB Circular A-21 and Indirect Costs of Research AIDS Federal Laboratory Study Update R&D Budget Update Executive Scientific Review Panel Progress Report New Conventional Defense Technology Initiatives Supercomputers Science Education Agricultural Research Anti-Trust Law and Joint R&D
September 1983	FY 85 Research Budget OMB Circular A-21 and Indirect Costs of Research Executive Scientific Review Panel Progress Report Status Report on the National Space Program Federal Laboratory Study Update Status Report on Supercomputer Working Group Proposal for Earthquake Engineering Deep Continential Drilling Initiative Keyworth Visit to Israel & Indonesia
November 1983	Role of WHSC in Support of President's Defense Initiative (Star Wars) Japan Science and Technology Budget Update President's Commission on Industrial Competitiveness - Engineering Education Federal Laboratory Review; Progress Report Science and Math Education Earthquake Engineering Research - NAS Study Annual S&T Report
January 1984	Health of American Universities Strategic Threat Review Progress Report by Chairmen of FCCSET Lab Committee Working Groups - Toni Joseph (DOE), Tim Coffey (NRL), Bob Oswald (ERADCOM), Frank McDonald (NASA) FY 85 Budget Preview Space Station and Manned Lunar Base Discussion

President's Commission on Industrial Competitiveness; Status Report
Engineering Research and Education Initiative

NEED FOR ADDITIONAL SPACE ORBITERS

Question: As you are well aware, the Administration and Congress has been grappling with the issue of a fifth orbiter for several years. Given the cost--about $2.5 billion including facilities--and the multiyear nature of the funding commitment, it is clearly a decision that must be made by the Administration.

Do you believe that the Administration has made a final decision or does the money for spare parts and engines included in NASA's FY 85 budget buy us more time to decide?

Answer: At this point in time we still do not see a need for a fifth orbiter. The current Space Shuttle manifest, when considered alongside the anticipated role of commerical ELVs, gives us confidence that all launch requirements can be met with the fleet of four NASA orbiters.

The procurement of spare parts and engines included in the FY 1985 budget proposal will permit NASA to keep its four-orbiter fleet fully operational. It will also provide a means of keeping the production line up, at least into 1986, so that the decision on a fifth orbiter could be revisited if the circumstances changed significantly

COSTS FOR REIMBURSABLE DETAILEES

Question: How much are you requesting for reimbursable detailees in FY 85?

Answer: We estimate that we will require $371,000.

Question: How much do you have budgeted for this purpose in FY 84?

Answer: $469,000 has been budgeted for FY 84.

Question: How much of the FY 84 funds have been obligated to date?

Answer: We have obligated $200,000 as of February 1, 1984.

Question: What specific studies do you intend to undertake in FY 84 and FY 85 that will require detailees?

Answer: As contingencies arise detailees are brought on board. Recent examples are:

- Star Wars (President's Defense Initiatives)
- Agricultural Research
- Carcinogen Assessment
- Radioepidemiology Tables
- Technology Transfer Policy
- National Space Policy
- Telecommunications

FY 84 PAY SUPPLEMENTAL

Question: You are requesting an FY 84 pay supplemental of $38,000. How much of the pay raise will you have to absorb?

Answer: We are not capable of absorbing any amount of the pay raises. In view of Congressional action, we require the full amount of the pay supplemental for costs associated with the pay increases.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

TRAVEL AND TRASNPORTATION

Question: Of the $110,000 request for travel and transportation of persons, how much is for staff travel as opposed to consultant and contractor travel?

Answer: The entire amount of $110,000 has been designated for staff travel.

Question: How much was spent on staff travel in FY 83? To date in FY 84?

Answer: During FY 83 we expended $90,000 for staff travel and to date in FY 84 we have obligated/expended $54,950.42.

Question: Do you really need a $20,000 increase with a staff of 15?

Answer: The Office does require the additional amount of $20,000 in FY 85. Staff members are increasingly required to attend conferences and meetings on science and technology affairs, both domestic and foreign.

During the past few years costs for air transportation has continually increased.

DETAILEES

Question: Why did you decide to reimburse for only 12 of the 24 detailees?

Answer: The decision to only reimburse for twelve individuals is twofold. One was to meet our Congressional mandate and the other was based on the availability of funds.

Question: Which 12 are you reimbursing for and which 12 are you not?

Answer: At the present time the following agencies have individuals assigned to the OSTP:

Agency	No. of People
Central Intelligence Agency	4 (3)*
Department of the Air Force	3
Department of Energy	3
Department of Navy	1
National Aeronautics & Space Administration	1
National Bureau of Standards	2 (2)*
National Institutes of Health	2 (2)*
National Oceanic & Atmospheric Administration	1 (1)*
National Science Foundation	6 (4)*
U.S. Marine Corps	1
Total	24 (12)*

* Reimbursable

CONSULTANTS

Question: How did you find 25 consultants who were willing to serve without compensation?

Answer: As I have mentioned earlier, when a Consultant expresses the need or desire to be compensated, we have done so. Each individual is handled as a separate case. Some of our Consultants do not desire compensation for services rendered to the OSTP but prefer to consider their services as a personal contribution to the country, administration and the Science Advisor. Some individuals receive Government annuities and are limited to what annual amounts they may receive from Government agencies.

Each Consultant is different and the reasons for declining compensation vary. Consulting fees are a personal matter that has been decided by each individual after consultation with the Director.

Question: What areas are they serving in?

Answer: Thirteen of the twenty-five are serving on the White House Science Council. The remaining twelve consultants are experts in a variety of different areas. All twenty-five consultants serve without compensation for a variety of reasons.

ACID RAIN PEER REVIEW PANEL

Question: Who are the nine paid consultants on the Acid Rain Peer Review Panel and what is their affiliation?

Answer: Chairman

Professor William A. Nierenberg
Director, Scripps Institution of Oceanography
La Jolla, California

Vice Chairman
Professor William C. Ackermann
Department of Civil Engineering
University of Illinois
Urbana, Illinois

Members

Dr. David Evans
Department of Zoology
University of Florida
Gainesville, Florida

Dr. Gene E. Likens
Division of Ecology & Systematics
Biology Department
Cornell University
Ithaca, New York

Dr. Ruth Patrick
Department of Limnology
Academy of Natural Sciences
Philadelphia, Pennsylvania

Professor Kenneth Rahn
Center for Atmospheric Chemistry Studies
Graduate School of Oceanography
University of Rhode Island
Narragansett, Rhode Island

Professor F. Sherwood Rowland
Department of Chemistry
University of California
Irvine, California

Dr. Malvin A. Ruderman
Professor of Physics
Columbia University
New York, New York

Dr. Fred Singer
University of Virginia
Charlottesville, Virginia
Currently:
  Senior Fellow
  The Heritage Foundation
  Washington, D.C.

FEDERAL LABORATORIES

Question: What specific actions do you expect to be taken with regard to the Federal laboratories?

Answer: In August 1983, the President issued a memorandum to Agency heads requesting that they work with my office and with OMB to implement the recommendations of the Packard Panel of the White House Science Council. This implementation effort is on-going in all areas addressed by the Panel: mission, funding, personnel, management, and relationship with users of laboratory research results.

Question: When?

Answer: We expect to present a progress report to the President by July 1, 1984.

BASIC RESEARCH

Question: Please elaborate on how the $50 million in basic research and science education will be used?

Answer: OSTP believes that in order to avoid a repeat of the medley of ineffective and piecemeal programs which NSF's science education programs of the 1970s degenerated into, it is vital that a strategic plan be developed which clearly identifies the nation's science education objectives, and spells out and bounds NSF's role in that context. We are working hard with NSF to accomplish this, and are talking with numerous people: teachers, educators, scientists, and other concerned citizens, including several Congressman and the key staff. We think that we are close to an exciting and coherent long-term plan for NSF's science education programs, and will share with you as soon as possible.

AGRICULTURAL RESEARCH

Question: In what particular areas is there the greatest need for agricultural research in order to maintain U.S. productivity?

Answer: Maintaining U.S. agricultural productivity with a competitive edge in the world market will depend on production efficiency--producers making a reasonable profit while remaining competitive. Modern biotechnologies provide numerous research opportunities to genetically alter plants and animals, in a relatively short time, in ways that should significantly reduce production costs. These include "engineering" plants that are more resistant to herbicides, pests, salinity, drought, and other environmental influences. For livestock production, sexing of sperm, hormonal stimulation of growth, better diagnostic tests, and new vaccines are just a few examples. Additional human and physical resources are needed to exploit these opportunities.

AGRICULTURAL EXPORTS

Question: What do you see as the greatest threats to U.S. agricultural exports and what types of research can help offset this?

Answer: In order to provide an accurate and definitive answer to such questions, the USDA's Assistant Secretary for Science and Education authorized the Agricultural Research Service to contract with Tufts University in October 1982 to conduct an evaluation of the ARS agricultural export research program. This study is due to be completed within the month. The study is aimed at developing an analysis of future export trends/opportunities and implications for ARS research. Study methodologies include interviews, case studies, and economic analysis. Results include suggestions for revision of export research programs to conform more closely with anticipated future needs.

An interim report of the above-referenced study identifies opportunities for improvement in targeting of export research. The study cites the need for coordination between USDA agencies (such as ARS, the Foreign Agricultural Service and the Economic Research Service) to draw upon current market development analyses and export demand projections.

Should more detailed information be required, you may contact Assistant Secretary Orville G. Bentley, USDA Administration Building, Room 217-W, Washington, D.C. 20250.

PROPOSALS FROM CABINET COUNCIL WORKING GROUP

Question: Can we expect any specific proposals from the Cabinet Council on Commerce and Trade Working on Intellectual Property?

Answer: The CCCT Working Group on Intellectual Property does not make independent Proposals, but rather submits to the Cabinet Council, from time to time, recommendations on topics of interest. The Cabinet Council may then discuss these recommendations and accept or reject them.

In the past year, the CCCT has accepted the recommendations of the Working Group to support changes to the Copyright Act of 1976 to amend the "first-sale doctrine" as it applies to the commerical rentals of records and videotapes. Secondly, the CCCT accepted Working Group recommendations to seek legislation protecting semiconductor chip designs.

The Working Group is currently considering several issues related to intellectual property, including the Brussels Satellite Convention, and increasing protection of intellectual property rights abroad, but no recommendations to the Cabinet Council are currently scheduled.

AGENT ORANGE WORKING GROUP

Question: What is OSTP's role in the White House Agent Orange Working Group?

Answer: OSTP, as an active member of both the Agent Orange Working Group (AOWG) and the Science Panel of the Agent Orange Working Group, maintains close surveillance of all activities of the AOWG.

Question: How do the Group's activities relate to the current VA/CDC activities?

Answer: While the AOWG does not conduct any research, it is charged with being the overall coordinator, clearing house, and evaluator of the Federal research effort. Thus the Working Group is closely following the progress of the Veterans Administration (VA) projects, especially the Health Surveillance efforts of the Agent Orange Registry, the VA Mortality Study, Soft Tissue Sarcoma Study and the Vietnam Veteran Identical Twins Study. The Centers for Disease Control (CDC) are conducting four major studies including a birth defects study, two large epidemiologic studies of ground troops and a case-control study of cancers. In addition to these major studies, the AOWG has followed the progress of the Air Force Health Study (RANCH HAND II), the Australian Servicemen Health Studies and the studies of the industrial-exposed population in Seveso, Italy.

Question: What other activities is the Group engaged in?

Answer: Subcommittees to the AOWG include the Science Panel, Public and Legislative Affairs and Resource. The latter is tasked with following resources expended by the Federal Agencies on all Agent Orange activities.

REMOTE SENSING

Question: What role do you foresee for the U.S. Government in remote sensing from space?

Answer: I see two major roles that are appropriate for the U.S. Government to play in remote sensing from space. The first of these is in the area of basic research. We are now in an era in which we are developing the technology to utilize the unique perspective of space to conduct fundamental scientific studies of the Earth's crust, the oceans and the atmosphere and of their interactions. These are problems that must often be studied on a global scale and that are directly relevant to understanding the environment on our planet. Such scientific studies form an appropriate role for the government.

The second area is in research and development of remote sensing technology for space. An example is the thematic mapper (a visible and infrared spectral camera) on the Landsat-4 and 5 satellites that is now producing remarkable images of land forms, vegetation patterns and the like. The government has a role in contributing to the development of advanced instruments of this kind, and to demonstrate and support their use as research instruments, but their operation and utilization for specific practical purposes in something that should be handled by the private sector.

USE OF SHUTTLES AND ELVs

Question: In simple and direct terms, to what extent do you believe the Department of Defense should use the Shuttle and to what extent ELVs?

Answer: The DOD has a genuine requirement for assured access to space in times of peace, crisis, and conflict. The responsiveness of such a capability must be measured in terms of launch vehicle availability, timeliness, and inherent risk.

For routine access to space, the DOD is fully committee to using the Space Transportation System as its primary launch system. Current plans for DOD Shuttle usage include 8-10 missions per year.

Concern arises when the requirements for high risk or quick response missions are evaluated. Due to its small fleet size and high-value man-rated capability, the Shuttle may be inappropriate for use in a hostile environment.

Question: Do you believe that DOD should be allowed to maintain more than an ELV back-up capability?

Answer: Technical and operational uncertainties in the system, including extended delays resulting from a major accident involving these manned vehicles, may also create unacceptable national security risks. For these reasons, it is desirable to supplement the Shuttle fleet with an ELV back-up capability in order to provide for a flexible and robust U.S. launch posture.

USE OF SPACE CENTERS

Question: Under current shuttle mission models, do you foresee both Kennedy Space Center and Vandenberg being fully utilized?

Answer: Current NASA planning anticipates being able to support approximately 24 Shuttle launches per year by 1988. Due to range safety constraints and the reduced manifest weights that can be accommodated, launches from the Kennedy Space Center are limited to orbits with latitudes less than 57 degrees. Based on the current mission models, the Kennedy Space Center will be fully utilized. The Vandenberg facility is required for launches into orbits into inclinations greater than 57 degrees which include both military and civil spacecraft. The Vandenberg facility will be equipped to process only one orbiter at a time. This limits the launches from Vandenberg to a maximum of 4 per year which by present planning will be achieved by 1988.

DISINTEGRATION OF A POLICY

Question: On the Shuttle, are we seeing the disintegration of a policy that sought to force two bureaucracies to cooperate on a project when each wanted to do its own thing?

Answer: No, the National Space Policy still stipulates that the Space Transportation System is the primary space launch system for both U.S. national security and civil Government missions. NASA and the Department of Defense are continuing their cooperative activities in the development, fabrication, operation, and enhancement of the Shuttle fleet.

The next major event in this joint program will be marked by the opening of west coast shuttle operations at Vandenberg AFB scheduled for late 1985.

LONG-TERM POLICY ON USE OF THE SHUTTLE

Question: What do you believe long-term policy on DOD and NASA use of the Shuttle should be?

Answer: The Space Shuttle will continue to be the primary launch vehicle for both NASA and the DOD, and we will continue to look to NASA to operate the system to meet the DOD's needs. If the DOD decides that it is appropriate to also have a backup capability with ELVs then we have no objections to that approach.

FIFTH ORBITER

Question: When and under what circumstances would you foresee the need for a fifth orbiter?

Answer: The only circumstances that I can see that would lead us to reopen the issue of reproduction of a fifth orbiter would be a major increase in the launch traffic picture or a serious accident that required the replacement of an orbiter.

ELV PROGRAM

Question: To what extent can the ELV program reasonably be commercialized over the next five years? The next ten?

Answer: The success of a commercial launch services industry will depend upon the action of the market. The U.S. Government for its part has endorsed this private sector endeavor and will, as in the case of all civil space activities, seek to provide a climate conducive to expanded investment and involvement. To this end, the President recently signed an Executive Order which directed the Department of Transportation to centralize and streamline the ELV licensing process and to recommend changes in Governmental procedures which would enhance the commercialization effort. The stability created in Federal regulation conjoined with projections of increased demand for launch services and the plan to adopt a full cost recovery policy for the Shuttle will create the necessary conditions in which the ELV industry can successfully operate.

MISSION FOR A SPACE STATION

Question: DOD has indicated that it has no identified mission for a space station or platform at this time. How do you assess that statement?

Answer: Having worked with the DOD and the services on the space station issue throughout this past year, we believe that their assessment is correct--there is no current, national security requirement which is uniquely satisfied or greatly enhanced by the space station's capabilities.

Question: Are there currently missions DOD doesn't want to identify and are there projected missions?

Answer: With the President's decision to proceed with construction of a space station, it may be possible that DOD will want to study the potential of using the space station to satisfy its future requirements. However, we have no indication at this time that DOD has a set of projected missions.

Question: Does it simply want to avoid another joint endeavor with NASA?

Answer: I'm sure DOD will be able to work with NASA or any other agency that is appropriate to develop systems to meet their mission requirements. The excellent cooperation between NASA and DOD on the Shuttle is a case in point.

ACID RAIN RESEARCH

Question: What do you see as the focus of acid rain research efforts?

Answer: There are four basic areas that our acid rain research efforts need to address. They are: the magnitude of anthropogenic emissions and their relation to natural emissions; chemistry of conversion of SO_2 (NO_x) to sulfuric (nitric) acid in the atmosphere, in precipitation, and after dry deposition; transport of acid and its

Senator Huddleston—Continued

precursors from sources to points of deposition; and present and potential ecological consequences of the deposition. It is this last category upon which we need to focus more effort and we will be doing just that with the increased research budget for acid rain.

Question: What do we really need to know?

Answer: More information is needed regarding ecological effects of acid deposition and the source receptor relationship between a long-term emissions control program can be structured. It should be noted, however, that major scientific uncertainties regarding acid rain are likely to continue well into the future. Acid rain is a problem that does not lend itself to permanent solution in a closed fashion. Rather it is the type of problem that will be treated progressively as knowledge and understanding steadily increase.

Question: Do we have sufficient information on liming?

Answer: EPA will be funding a modest research monitoring program in conjunction with their lake liming efforts. There is some documented work on lake liming and we feel that we have sufficient information to proceed carefully with a program to restore some of the effected lakes in the Northeast.

SUBCOMMITTEE RECESS

So the subcommittee will stand in recess until 10 a.m. on March 20 when we will receive testimony from the Council on Environmental Quality and the Environmental Protection Agency.

Mr. KEYWORTH. Thank you very much, Mr. Chairman.

Senator ABDNOR. The subcommittee is recessed.

[Whereupon, at 11:10 a.m. Thursday, March 8, the subcommittee was recessed to reconvene at 10 a.m. Tuesday, March 20.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

TUESDAY, MARCH 20, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:05 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senators Garn, Abdnor, and Leahy.

COUNCIL ON ENVIRONMENTAL QUALITY

AND

OFFICE OF ENVIRONMENTAL QUALITY

STATEMENT OF A. ALAN HILL, CHAIRMAN, COUNCIL ON ENVIRONMENTAL QUALITY

ACCOMPANIED BY:
KEMP R. HARSHMAN, EXECUTIVE OFFICER
WILLIAM L. MILLS, MEMBER
DINAH L. BEAR, GENERAL COUNSEL

OPENING REMARKS

Senator ABDNOR [presiding]. The Subcommittee on Housing and Urban Development and Independent Agencies will come to order.

The Council on Environmental Quality was established by the National Environmental Policy Act and the Environmental Quality Improvement Act of 1970 and is located in the Executive Office of the President. The Council's principal responsibility is to provide the President and the Congress with timely and authoritative advice on key environmental policy issues.

BUDGET REQUEST

You are requesting $700,000 and 13 permanent positions. This is the same as your fiscal year 1984 level excluding the funds for the congressionally mandated studies added as a fiscal year 1984 supplemental. If you would please summarize your statement, we will be happy to include the entire statement in the record.

I am happy to have you here. I apologize for being a few minutes late. Proceed in any fashion you care to.

SUMMARY OF STATEMENT

Mr. HILL. Thank you, Mr. Chairman, and good morning.

I am pleased to appear before you today to discuss the President's request for $700,000 to support the activities of the Council on Environmental Quality and the Office of Environmental Quality for fiscal year 1985.

First, I would like to introduce to you the other member of the Council on my right, Dr. William L. Mills. On my left is General Counsel Dinah Bear, and on my far right is our Executive Officer, Kemp Harshman. They are available with me in responding to your questions.

The President's appropriation request provides the Council with a consistent level of funding for salaries and expenses in the next fiscal year. I am confident that CEQ can continue to perform its major responsibilities and to contribute to a better understanding of our environment with this level of funding.

MAJOR CONTRACT STUDIES

Because I believe it will be of interest to you, I will first address CEQ's major contract studies to consider and define a national center for water resources research and to define and plan a national clearinghouse for water resources information.

The Council has made these studies a top priority and I am pleased to report to you today about our progress. As you know, a supplemental appropriation was passed and signed into law on December 1, 1983, to provide for these two feasibility studies.

My full statement includes the details of our work which led to the award of a study contract to the Chesapeake Research Consortium. The study is now underway. Our contract study clearly meets the congressional concerns that it be university based, competitively awarded, multidisciplinary, and coordinated with the EPA, the Corps of Engineers, and the Geological Survey.

Included with our budget justification in appendix C is a total discussion of the contract.

Our approach and work plan for the studies also include opportunities for public comment both at meetings held by CEQ and in the submission of written comments.

MAJOR EFFORTS HIGHLIGHTED

Let me briefly highlight some of the other major efforts and plans of the Council.

Late last fall the White House asked CEQ to develop a paper on policy options for the acid rain issue. CEQ was asked to perform this function because it could act as an arbiter between other Federal agencies in this area. The resulting document formed the basis for the

Cabinet Council discussion and debate prior to the President's decision. CEQ will continue its responsibility for policy coordination in this important area during fiscal year 1985.

CEQ has accelerated the publication schedule for its annual environmental quality report and plans to release it this spring. Draft copies are currently under interagency review.

Further, the Council is continuing its oversight of the National Environmental Policy Act, a responsibility which I feel is extremely important. We oversee the administration and interpretation of the regulations issued by CEQ which govern the procedural implementation of NEPA. The Council fulfills part of this responsibility by issuing guidance to the Federal agencies on various aspects of the regulations. We also examine issues of major concern which arise in relationship to the National Environmental Policy Act. Of special importance is the work we are beginning on the problem of worst case analysis.

CEQ has played an important role in the implementation of the environmental review requirements under the Nuclear Waste Policy Act. In fiscal year 1985, we will become involved in the review of environmental assessments for each of the nine potential sites for the first nuclear waste repository.

The Council is currently sponsoring a contract study about the needs for and sources of resources information in large U.S.-based corporations. We expect to learn much from this project about the role and effectiveness of the Federal Government in meeting the private sector's information needs in the natural resource area.

CEQ is currently in the planning stages for a symposium to examine private-sector initiatives for species preservation. The purpose of this fiscal year 1985 project would be to identify conditions necessary for promoting beneficial private investment in wildlife management programs.

During the next fiscal year, the Council will begin collecting data to update the environmental trends report. Publication is planned for 1986, at a statistically meaningful 5-year interval from the first edition.

CEQ is in the final development stage for the chemical substances information network. In fiscal year 1985, this artificial intelligence technology will be transferred to the National Technical Information Service for private sector licensing.

Finally, in the last year, the Council initiated numerous management improvements in its consolidated working fund. As a result, the fund is operated with better accounting procedures and sole source contracting has been curtailed. From the consolidated working fund CEQ has awarded over $425,000 in contracts for studies on a competitive basis since September 1983. Only one sole-source contract has been let in this fiscal year. That was for a product available only from an exclusive franchise distributor and was funded from CEQ's appropriated funds.

CEQ has requested a management fund to replace the consolidated working fund beginning in fiscal year 1985. A provision to provide for this is contained in the pending administration reauthorization bill. A management fund is desired because it will provide more definitive statutory authority for interagency funded studies and projects and greater accountability since it will be subject to normal budget review and execution requirements.

PREPARED STATEMENT

This concludes my brief statement. I will be pleased to entertain any questions which you might have regarding the Council and our work plan for fiscal year 1985.

[The statement follows:]

STATEMENT OF A. ALAN HILL, CHAIRMAN, COUNCIL ON ENVIRONMENTAL QUALITY

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you today to discuss the President's request for $700,000 to support the activities of the Council on Environmental Quality and the Office of Environmental Quality in fiscal year 1985. First, I would like to introduce to you the other Member of the Council - Dr. William L. Mills, our General Counsel - Dinah Bear, and our Executive Officer - Kemp Harshman. They are available with me in responding to your questions.

The President's appropriation request provides the Council with a constant level of funding for salaries and expenses in the next fiscal year. I am confident that CEQ can continue to perform its major responsibilities and to contribute to a better understanding of our environment with this level of funding.

WATER RESOURCES RESEARCH CENTER AND INFORMATION CLEARINGHOUSE STUDIES

Because I believe it will be of interest to you, I will first address CEQ's major contract studies to consider and define a National Center for Water Resources Research, and to define and plan a National Clearinghouse for Water Resources Information.

The Council has made these studies a top priority and I am pleased to report to you today about our progress. As you know, a supplemental appropriation was passed and signed into law on December 1, 1983 to provide for these two feasibility studies. The Council immediately began work. First, a task of technical experts from the Environmental Protection Agency, the Geological Survey of the Department of Interior, the Army Corps of Engineers and, of course, the Council itself, was established. That group prepared a detailed and comprehensive statement of work which was sent to another 15 federal agencies for review and comment. This additional input was solicited to provide for a balanced and technically sound approach. After numerous revisions, a request for proposals (RFP) was developed and submitted to the contract officer for publication in the Commerce Business Daily (CBD). On January 4, 1984, a little more than a month after the appropriation was passed, the announcement appeared. The Council has made every effort to expedite the contracting process so that the Congressionally mandated deadline of September 30, 1984, for completion of the studies can be met.

In response to the CBD notice, approximately 90 requests for the RFP were received. Several excellent proposals were submitted and evaluated by technical experts from CEQ, EPA, USGS and the Corps. I am pleased to say that the contract has been competitively awarded to the Chesapeake Research Consortium, Inc.

The Consortium is a nonprofit corporation created in 1972 and chartered in the State of Maryland to provide a focal point for cooperative programs in research and analysis. It includes the Johns

Hopkins University, the University of Maryland, the Smithsonian Institution and the Virginia Institute of Marine Science of the College of William and Mary. Chesapeake clearly meets the university-based criterion which was imposed in the implementing legislation.

The Chesapeake Research Consortium has several strengths that will enable it to do an excellent job on the CEQ Water Resources Research Center and Information Clearinghouse studies. In the technical proposal, the Consortium presented a practical, straightforward and easily understandable approach to evaluating institutional attributes by use of a matrix. Organizational functions are arranged on a continuum in terms of substance, involvement, and activity level. In this way, the particular mission statements for the research center and the information clearinghouse can be more readily compared.

The staffing arrangement provides for rapid development of work products and rapid evaluation by a wide range of experts. The core staff will do the initial evaluation and drafting; a board of consultants will be used to comment on the material to provide the broadest possible perspective.

The Consortium has pulled together a diverse team of highly qualified investigators. The available expertise includes hydrologists, resource economists, a biologist, and a natural resources lawyer. Various public interests are also represented. In particular, a regional government official, an industry representative, and a citizen's group spokesman are involved. The team is balanced with a combination of experts from various regions of the country. Also joining the group are the former director of the Chesapeake Bay Center for Environmental Studies, a former Director of the U.S. Fish and Wildlife Service, and a Committee Chairman of the American Water Works Association. Certainly, the Consortium is responsive to the Congressional directive to conduct a multi-disciplinary study to determine how institutions and individuals in both the private and public sectors can participate in water resource planning and research.

Next, let me say a few words about CEQ's approach to these studies. The work statement combines the research center and information clearinghouse studies under a single contract. The Congress gave CEQ the option of a joint or separate contracts. We believe the combined studies would be most cost effective for the government because several tasks were similar and would be duplicated if two contractors were used.

The study is divided into two phases. In the first, the contractor will propose alternative institutional designs for a research center and information clearinghouse, following a review of current programs and relevant policy literature. In the second phase, the contractor will evaluate and critique three of those designs for a center and three for a clearinghouse.

As a part of its evaluation process, the Council will seek input at the end of each phase from a wide array of citizens, member organizations, and professional associations. At least two public meetings will be sponsored by CEQ and announced well in advance in the Federal Register. Persons or organizations not able to participate in the public meetings will have an opportunity to provide written comments within the same deadline. CEQ will also provide copies of Contractor reports to all who request them.

CEQ will undertake independent efforts to insure that the Congressionally mandated schedule is met. The Council will monitor progress through regular meetings with the Contractor and will conduct its own reviews of contractor reports in a timely manner.

In addition, CEQ will continue to work closely with the contact persons designated by interested Federal agencies. The three agencies specified by the Congress (USGS, EPA, and the Corps) will participate with CEQ in all scheduled meetings with the Contractor. All interested Federal agencies will receive Contractor reports and have an opportunity to comment.

Let me briefly highlight some of the other major efforts and plans of the Council.

ACID PRECIPITATION

Late last fall, the White House asked CEQ to develop a paper on policy options for the acid rain issue. CEQ was asked to perform this function because it could act as an arbiter between other federal agencies active in this area. The resulting document formed the basis for the Cabinet Council debate prior to the President's decision. CEQ will continue its responsibility for policy coordination in this important area during FY 1985.

ANNUAL ENVIRONMENTAL QUALITY REPORT

CEQ has accelerated the publication schedule for its Annual Environmental Quality Report and plans to release it this spring. Draft copies are currently under interagency review. This year's report is of particular significance because it incorporates several innovations designed to present broader coverage of environmental information in a format that is easier to use. For instance, the Report Chapter on status and trends is divided into separate sections for each environmental medium - air, land, and water. Also, information about what is going on in the environment (status and trends) is treated separately from information about what is being done (programs and activities).

NATIONAL ENVIRONMENTAL POLICY ACT

The Council is continuing its oversight of the National Environmental Policy Act, a responsibility which I feel is extremely important. In this respect, we perform a number of useful functions. These include frequently resolving problems between various agencies on an informal basis, and, less frequently, a formal basis; responding to a continual stream of requests for help and information from individuals and groups outside of the federal government; evaluating and approving agency NEPA procedures; providing assistance to foreign governments regarding the environmental assessment process; and other activities. In addition, we oversee the administration and interpretation of the regulations issued by CEQ which govern the procedural implementation of NEPA. The Council fulfills part of this responsibility by issuing guidance to the federal agencies on various aspects of the regulations. We also examine issues of major concern which arise in relationship to the Act.

NUCLEAR WASTE POLICY ACT

CEQ has played a significant role in the implementation of environmental review requirements under the Nuclear Waste Act. In FY 1985, we will become involved in the review of environmental assessments for each of the 9 potential sites for the first nuclear waste repository.

RESOURCE DATA USER STUDY

The Council is currently sponsoring a contract study about the "Needs for and Sources of Resources Information in Large U.S.-based Corporations." We expect to learn much from this project about the role and effectiveness of the Federal government in meeting the private sector's information needs in the natural resource area.

CONFERENCE ON PRIVATE SECTOR INITIATIVES FOR SPECIES PRESERVATION

CEQ is currently in the planning stages for a symposium to examine private sector initiatives for species preservation. The purpose of this FY '85 project would be to identify conditions necessary for promoting beneficial private investment in wildlife management programs.

ENVIRONMENTAL TRENDS

During FY 1985, the Council will begin collecting data to update the _Environmental Trends_ report. Publication is planned for 1986, at a statistically meaningful 5 year interval from the first edition.

CHEMICAL SUBSTANCES INFORMATION NETWORK

CEQ is in the final development stage for the Chemical Substances Information Network. In FY 1985, this artificial intelligence technology will be transferred to the National Technical Information Service for private sector licensing.

MANAGEMENT OF THE CEQ CONSOLIDATED WORKING FUND

In the last year, the Council initiated numerous management improvements in its Consolidated Working Fund. As a result, the fund is operated with better accounting procedures and sole source contracting has been curtailed. From the Consolidated Working Fund, CEQ has awarded over $425,000 in contracts for studies on a competitive basis since September of 1983. Only one sole source contract has been let in this fiscal year. That was for a product available only from an exclusive franchise distributor and was funded from CEQ's appropriated funds.

CEQ has requested a Management Fund to replace the Consolidated Working Fund beginning in FY 1985. A provision to provide for this is contained in the pending Administration Reauthorization Bill. A Management Fund is desired because it will provide more definitive statutory authority for interagency funded studies and projects and greater accountability since it will be subject to normal budget review and execution requirements.

This concludes my brief summary. I would be pleased to entertain any questions which you might have regarding the Council and our work plan for FY 1985.

COUNCIL COMMENDED

Senator ABDNOR. Thank you, Mr. Hill. Certainly you have an ambitious program to try to keep up with. You are doing a fine job, you and your group.

I do want to take this opportunity to thank the Council, in particular Mr. Harshman, for the way in which they have cooperated with this committee over the last year. The committee notes the considerable improvement in your budget justification and the close working relationship you have established with the subcommittee relative to the information in the water research study. We thank you for that.

Mr. HILL. Thank you.

Senator ABDNOR. In fiscal year 1984, you requested $913,000. As a result of congressional action, that amount was reduced to $700,000. Your fiscal year 1985 budget contains a request for $700,000. I notice in your written opening statement you are confident that CEQ can continue to perform its major responsibilities with this level of funding.

IMPACT OF REDUCED FUNDING

What activities will not be conducted during fiscal year 1984 as a result of this congressional reduction? Can you tell us that?

Mr. HILL. Yes, Mr. Chairman. We have had to eliminate certain individuals from our staff. We have eliminated an administrative officer. Our Public Information Office has been closed. We are attempting to place the remaining administrative officer in another agency. That is the way we handled that situation. Our public information officer also was transferred to another agency. So we tried to handle it that way.

In addition, we have had to economize. We are currently exploring the need to further reduce the number of annual reports that are printed and distributed for free. We have also gone back and negotiated with the General Services Administration with regard to our rent and found that we were being overcharged. So we received some adjustment there.

Admittedly, each one of these is a small amount, but together it has enabled us to accomplish a very difficult task.

Senator ABDNOR. I commend you for it. It sounds like it took a lot of searching and studying to find a way to accomplish that. We are happy you were able to do that.

What was your original request to OMB in fiscal 1985? Did you ask for the original $700,000 or did you ask for more?

Mr. HILL. No, it was somewhat higher. My recollection is $968,000 was our original request.

Senator ABDNOR. And you are back to $700,000.

Mr. HILL. Yes.

Senator ABDNOR. What activities will you not be able to undertake in fiscal 1985 as a result of the lower figure in funding?

Mr. HILL. We had hoped to provide staffing and add to the expertise we have available on our staff, first in the area of environmental data and monitoring, which would relate to the environmental trends publication, and a couple of other projects we have going. In addition, it is very nice to have Dr. Mills on the Council. It is the first time we have had a member who has the academic training in environmental sciences. I would like to expand that with resources in the area of atmospherics. Our General Counsel's Office is in need of some further assistance. So those are basically where we have had to kind of cinch up because of the budget decisions that have been made.

CONTRACT STUDY

Senator ABDNOR. Public Law 98–181, the fiscal year 1984 Supplemental Appropriations Act, provided an additional $600,000 for CEQ to undertake a contract study to consider and define a national center for water resources research and a study to define and plan a national clearinghouse for water resources information. Since about half of your opening statement is devoted to your activities in this area, it is not necessary to go into any great detail at this time. However, I would like to ask a few questions about the study.

First, I would like to compliment you for the extremely effective and efficient way in which you coordinated the activities with a variety of agencies in order to expedite the solicitation for proposals and the actual award of the contract.

I understand that the Chesapeake Research Consortium, Inc., which includes the Johns Hopkins University, the University of Maryland, the Smithsonian Institution, and the Virginia Institute of Marine Sciences of the College of William and Mary, won the competition and was awarded the contract. What was the total amount of the contract?

Mr. HILL. It was a little over $208,000.

Senator ABDNOR. $208,000?

Mr. HILL. Yes.

Mr. HARSHMAN. We should emphasize, too, that this contract will provide for both studies.

Mr. HILL. I would like, Mr. Chairman, if I could, to acknowledge the very great work that Dr. Mills and Mr. Harshman and others on the staff did in getting this promptly designed, awarded, and coordinated. Bill has undertaken direct responsibility for the study. I think our whole group has done a heck of a job.

Senator ABDNOR. Fine. Thank you.

I assume that you are still planning to meet the mandated deadline of September 30, 1984, for the completion of the study.

Mr. HILL. Yes.

PUBLIC MEETING PROCESS

Senator ABDNOR. You note that as part of this study the Council will seek input from a variety of citizens, member organizations, and professional associations. And furthermore, that a series of public meetings will be conducted.

Will these meetings be conducted by the contractor out of contract funds?

Mr. HILL. No. The Council will be conducting those itself. We have built into the study schedule two very specific periods at which the contractor will report to the Council. We will make that report available to the public and then hold a public meeting to solicit input from interested parties.

Judging by the mail, we have lots of interested parties.

Mr. HARSHMAN. One thing that we should tell you now is that we are considering entering into a contract with another entity. That contract would be to provide support to CEQ in this public meeting process. We envision that the contractor would do several things.

First, it would help us answer the many questions that we expect from the public for information, it would even help in setting up the meeting and some of the logistical arrangements, and finally it might help in analyzing the public input if there is a great volume of comments.

We want to be responsive to the public. So there is thought that we would enter into a contract. We haven't gone ahead with action at this point but feel that that is important to the contract because it is related to it. All of the public meetings would be directly related to the work of the contractor and would be held in various parts of the country.

Senator ABDNOR. How many of those meetings will you have? How many do you anticipate?

Mr. HILL. We are planning at this point on a minimum of two, hopefully to have one out of Washington, more than likely in the West, and then one held in Washington, to try to get back out where there is a great degree of interest.

Now I would also like to be very clear that CEQ intends to sponsor these public meetings as an activity of CEQ and not be involved in a cosponsored situation with some other entity.

Senator ABDNOR. The information you reap will be clearly used by your contractor.

Mr. HILL. Yes. We will use it and the contractor will use it.

ROLE OF NATIONAL WATER ALLIANCE IN PUBLIC MEETINGS

Senator ABDNOR. What will be the role, if any, of the National Water Alliance in the conduct of public meetings and will they receive any funds, either directly or indirectly, from the Council?

Mr. HILL. If I could answer the second part of the question, the answer is "No." We have had some discussions. We value the interest and the expertise that is available through the National Water Alliance, but they will have a relationship with CEQ similar to any other interested party. There will be no special status or anything of that type.

Mr. HARSHMAN. This question came up in a preproposal conference we had before awarding the contract. We answered it at that time by saying we were independent of the National Water Alliance. That is a position we have always maintained. We think it is important for the credibility of the study to do that.

Senator ABDNOR. Fine.

You note that CEQ will continue to work closely with the contact persons designated by interested Federal agencies. I expect that you will keep us informed of the activities of the contractor as well.

Mr. HILL. Yes.

FUNDING FOR TWO COMPANION PROJECTS

Senator ABDNOR. You note in your budget justification that you are currently evaluating two possible companion projects relating to the water resources study. One of these projects involves a peer review of the products from the contract and another would entail an expansion of your work with the World Wildlife Fund-U.S.

The subcommittee would not expect that these projects would be funded from the $600,000 provided for the information and research centers. Therefore, how does CEQ expect to fund these projects and how much would you estimate each of these might cost?

Mr. HILL. Mr. Chairman, we had explored those and have since rejected the thought about going ahead with those two efforts. I would like to note that the data being developed under the World Wildlife Fund study which goes to Federal agency resources information as it bears on the question of water data will be made available to our Chesapeake Consortium contractor naturally as it flows from World Wildlife Fund. That is the only relationship we see at this time.

Mr. HARSHMAN. We should also mention that the world wildlife fund study is funded by interagency agreements with other agencies and none of the $600,000 from the supplemental appropriations will be used for that.

Senator GARN [presiding]. Gentlemen, I apologize for being late. I wish to thank my colleague, Senator Abdnor, for taking over and starting the hearings. As we often find, we need to be in three or four places at one time. I certainly found myself in that position this morning. But we appreciate your letting us play musical chairs. I didn't hear the music when we shifted. [Laughter.]

SITE REVIEW FOR NUCLEAR WASTE REPOSITORY

You note in your opening statement that during fiscal year 1985 the Council will become involved in the review of environmental assessments for each of the nine potential sites for the first nuclear waste repository.

What will be the specific responsibility of the Council relative to the review?

Mr. HARSHMAN. I am handling the coordination of CEQ's efforts in that program. We have had a role in developing the guidelines for the implementation of the Nuclear Waste Policy Act. That is a statutory role. We will continue to have a statutory role.

For instance, CEQ is required under the Nuclear Waste Policy Act to comment upon the final EIS done for the site that is recommended for the repository. However, before that time, environmental assessments will be developed and the Department of Energy has decided to issue those in draft form first. That will give individuals and other agencies an opportunity to comment upon those environmental assessments.

CEQ, of course, will take a very active interest in those environmental assessments and will comment upon them.

We will also take a look at each environmental assessment—there will be nine developed in all—to make sure that it adequately covers the environmental impacts associated with the development of a site and that it is sensitive to the environmental review process as outlined in the Nuclear Waste Policy Act. That act establishes alternative procedures to NEPA, but we think some of the same principles still apply, and we think that is the intent of Congress. That will be our role in reviewing the environmental assessments.

Senator GARN. Have you established any particular milestones or timeframe for the completion of this review?

Mr. HILL. We kind of go according to what the Department of Energy's schedule is. Until they have the documents for us to review, we can't say exactly when. We would hope to respond as promptly as possible when the assessments are available.

Mr. HARSHMAN. There will probably be a 30- to 90-day period to respond.

ANALYSIS REQUIREMENTS FOR EIS

Senator GARN. In August 1983 the Council issued draft regulations regarding the worst case analysis requirements for environmental impact statements. After reviewing over 60 comments on the draft proposal, the Council withdrew the initial guidance.

The Council's draft guidance proposed a threshold of reasonable foreseeability before a worst case analysis would be required. In other words, events or situations would have to have some likelihood of occurring and not just be a doomsday scenario.

What major concerns were raised relative to the initial proposal?

Mr. HILL. Let me say we have done a summary, and I will provide that for the record, of all the comments. Basically the major thrust of the comments was that we had been too restrictive in our definition. So we are having another go at drafting. I expect that process will run approximately 6 months.

[CLERK'S NOTE: A summation of the comments submitted to CEQ are listed below.]

Comment Letters Received By
November 22, 1984

Federal Agencies

1. Air Force. "It impresses us that the policy you propose will promote a wiser use of available environmental analysis resources and a better focusing by decision-makers on the realistic environmental issues in a proposal." The proposal would promote wiser use of resources and a better focus by decision-makers on the real issues. However, we urge that the change be in the regulation, rather than by guidance, which might not be deferred to by the courts. They have suggested language for a regulatory change.

2. TVA. Agrees with CEQ proposal.

3. E.P.A./O.F.A. Appreciates the Council's attempts to provide further guidance on worst case analysis requirements. Suggestions: "Reasonably foreseeable" and "low probability" require more precise definition, explanation and illustration to preclude inconsistent interpretation.

   Concerned that some agencies, because of subjective language, will not do worst case when they should.

   We do not believe that the reasonably foreseeable standard should be the sole factor in deciding whether to do a worst case analysis. The extent of the potential impact on public health, welfare and the environment, the degree of public concern and the context within which the project is being proposed should also be considered. These considerations should also affect the level of detail required for an analysis. Many of these issues can be resolved during the scoping process.

   We suggest that CEQ define "reasonably foreseeable" and "low probability" and take the above considerations into account. We also would like to see further examples of situations which require a worst case analysis and attention to the content of the analysis.

4. Corps of Engineers. Fully supports and commends Council's proposed guidance. "I agree that a worst case event must attain a threshold of probability so that it would be reasonably foreseeable before an agency undertakes costly and time-consuming analysis to assess potential effects."

5. Veterans Administration. the trigger for preparing a worst case analysis must be more than just probability. Its significance to the environment and the proposed action must also be evaluated. "...Although the likelihood of an event may not be great, to base a decision solely on that fact alone does not provide the complete picture if the event has, in its content and intensity, extreme consequences." Emphasis only on probability does not take the CEQ regulations into account and may not be sufficient to provide information necessary to make a reasoned choice. Probability is important, but should not be the sole criterion.

6. Department of Energy. To date, DOE has not experienced problems

with the worst case regulation. The proposal may confuse its application for our activities.

DOE's experience with worst case relates primarily to nuclear energy and defense facilities. DOE routinely performs analysis of low probability, high consequence accidents. Such work is "considered important with respect to taking safety precautions, and can help assure the public of the safety of our nuclear-related operations."

"Reasonably foreseeable" does not seem to be an appropriate criterion for dealing with accidents or other worst cases. Thus, the guidance is not particularly useful to us and some of the terms used in it, (i.e., "highly remote", "unlikely") could cause greater confusion.

"The Department believes that if guidance is provided at all in this area, it should be done with a minimum of new concepts. One approach would be to reinforce the agency's discretion not to consider in an EIS incredible worst case accidents or other accidents which, after preliminary analysis, the agency finds to be of such an extremely low probability, or inconsequential from a risk standpoint, as not to warrant further detailed consideration. In this regard, to permit the agency needed flexibility to defend its conclusions regarding such limits, we would recommend that the guidance not specify a particular mode (e.g., probability) for determining limits since it may be desirable, in certain cases, to use other parameters, such as risk (i.e., probability x consequence)."

7. Bureau of Land Management (DOI). Commends CEQ for attempt to clarify position, but proposes a different approach. Believe that probability of the occurence should not be the sole factor. "The magnitude of the consequences and the importance of the affected resources should be considered in determining the level of analysis needed.

   "The application of CEQ's suggested standard of reasonable foreseeability, depending on how the term is defined or interpreted, may conflict with rather than supplement or clarify ... [former guidance]." The threshold test is poorly defined, and could cause problems. Instead of imposing a threshold test, professional judgment should be used. "The responsible official should be permitted to use the judgment of professional staff members as to the magnitude and probability of impacts in deciding how reliable and detailed the worst case anlaysis needs to be. In many cases, when the probability of an impact occurring is low, no more impact analysis than this would be needed. If the responsible official is informed of the impacts of low probability worst cases, it would contribute to the decisionmaking process and to the administrative record." We believe some sort of worst case analysis is always required, but not always a detailed analysis.

8. Department of Transportation (Materials Transportation Bureau, Research and Special Programs Administration). The RSPA division has a strong interest and considerable experiernce in dealing with the worst case issue. It is the only federal agency to have won a "worst case" lawsuit at the appellate level. However, they believe, "there is neither judicial nor a

political consensus as to the appropriate role of such analyses in the context of regulations issued under the Hazardous Materials Transportation Act."

CEQ should acknowledge that, although the regulation only addresses worst case analyses in EIS(s), the agencies and the courts (including in DOT's successful case) are using them in EA(s). CEQ should say that it is appropriate for agencies to consider worst case in EA(s), but in doing so, they have wide latitude as to the extent of the consideration and weight to be given to it.

CEQ should also consider the difference between worst case for construction projects and regulations. A strict requirement for worst case analyses for regulations obligates the agency to treat those events that the regulations are designed to prevent as the effects of the regulations.

We agree that consideration of purely speculative impacts or those with extremely low probability is not required by NEPA. However, as a general principal in risk assessment, the greater the consequences, the less likely they are to occur. By its very nature, the primary focus in a worst case analysis will be on these type of risks.

Whatever standard CEQ might suggest, it is important to recognize the fundamental subjectivity of the determination.

CEQ's guidance would be much more useful if it focused on the issue of the weight to be accorded worst case analysis.

9. Forest Service. The draft was circulated to all field units. Most of them found the guidance reasonable and helpful. However, the proposal is very vague in defining terms such as "reasonably foreseeable" and "speculative." We urge CEQ to include such definitions in the CEQ regulations, or, at the least, to make clear that the responsible official must rely on professional judgement.

   The term "scientific uncertainty" needs particular attention. It can be interpreted to mean either a lack of knowledge or the existence of divergent points of view from the scientific community.

   Another area of concern is the adequency of a worst case analysis.

   It would be desirable for CEQ to issue guidance at the regulation level to give it more force. An example of worst case analysis (perhaps involving pesticides) would also be helpful.

State, Local Governments

10. Attorney General of Missouri. In instances of private liability, the "reasonable foreseeable" standard is appropriate. However, for environmental and health situations, believes this test falls short of adequately protecting the public interst. A more searching, positive standard should be applied which utilizes our ability to investigate and analyze and to prevent

harm from occurring. Agencies should also have to examine consequences which are not reasonably foreseeable, but which are of such serious consequence that they are intolerable even though more remote.

11. Executive Director, Environmental Impact Review. Executive Office of Environmental Affairs, Commonwealth of Massachusetts. Believes proposal will yield a "probable case" not a worst case analysis. Will encourage bureaucrats to ignore complaints.

12. Mayor, Barrow, Alaska, North Slope Borough. Our region has been the focus of oil and gas development activities for the past decade, and will be in the future. Very concerned about oil spills and seismic noises threatening bowhead whales and traditional whaling culture.

    "In our view, it would be irrational and not in the public interest for CEQ to develop any guidance removing the worst case requirement or would lower the review standards of potentially catastrophic events as a result of oil and gas development activities.

13. Sharon Maxwell, Citizens Participation Director, City of Tucson. "I direct a program that provides services to neighborhood associations in the city of Tuscon, Arizona, and I can assure you that none of the 78 neighborhoods registered with this office nor any of the more than seventy others affiliated with a county coalition would wish to see those requirements eliminated."

Business, Industry

14. Texas Utilities Services, Inc. Supports guidance.

15. Jersey Central Power & Light Company. Supports the guidance.

16. Chevron, U.S.A. Supports guidance. Also wants CEQ to state that agencies should consider mitigation measures when worst case scenarios are determined, and in the impacts discussion.

17. Oregonians for Food and Shelter. Strongly endorses proposal and urges expedient adoption. A return to common sense. They disagree with the holding in two recent "worst case" decisions by Federal judges in Oregon relating to pesticides. Trying to definitively assess every possibility of impact is unrealistic.

18. Sohio Alaska Petroleum Co. Agrees with proposal and compliments us on it. "We are often puzzled over the amount of time and effort put into worst case scenarios that have little or no basis in reality. Thorough discussions of realistic impacts are so much more valuable to both planners, operators, and the public." EIS(s) will gain more credibility with this proposal.

19. Sierra Pacific Power Company. Strongly endorses this "sensible approach."

20. Utah International Inc. Strongly supports proposal — return to original intent of drafters of NEPA.

21. LeBoeuf, Lamb, Lieby anbd MacRae (law firm). Supports guidance

and believes it should be made available in final form as soon as possible.

22. California Mining Association. Supports approach. The worst case analysis requirements are being interpreted to require federal agencies to conduct these analyses for potential effects which may be highly remote or unlikely, whereas in all other instances, agencies need only examine those effects which are reasonably foreseeable.

23. National Coal Association. Supports guidance and urges CEQ to finalize guidance in the form it was proposed. Conforms with many court decisions which, in general terms, say that the requirements of NEPA must be interpreted in a reasonable manner.

24. Washington Voice of Energy (State). Wants worst case completely eliminated. Instead wants "Probable Risk Assessment" + "dollars spent for lives saved."

25. Illinois Power Company. Supports proposal.

26. Monsanto. Agrees that guidance is needed but has the following suggestions for changes:

    1. The guidance should be more specific in stating the point in the NEPA process when a worst case analysis should be used. It should state that a worst case analysis is not to be used in the identification of what the effects of the proposed action will or may be.

    2. Examples should be expanded.

    3. Editorial suggestions on last paragraph.

27. Conoco. (Colorado) Endorses proposal "without qualification."

28. Zapata Corporation. Believe entire worst case analysis requirement should be eliminated -- causes scare stories, retards development.

29. Edison Electric Institute. Supports intent of guidance but believes it should be a change in the regulations. Guidance can be interpreted as being counter to the wieght of case law and guidance may not be deferred to by courts. Regulatory change would be preferred.

30. Holland and Hart (Law firm representing an oil company). Supports guidance but urges CEQ to undertake a fuller evaluation of what the nature of the assumptions underlying the worst case analysis should be. In client's experience, many agencies are under the impression that worst case analysis is required for remote and speculative impacts with no reasonable likelihood of occurrence. "Rule of reason" should be incorporated into final guidance.

31. National Forest Products Association. Believes there is a need for the guidance document.

    We need to define "scientific uncertainty" and to explain what proposed guidance will be helpful in litigation and in ensuring that federal agencies are not required to engage in unnecessary speculation about events which are extrememly unlikely to occur. They also believe that the proposal is a change from the prior guidance on worst case (in the 40 questions, 46 Federal Register 18026 (1981)) and that the guidance should state that fact.

42. Southern California Edison Co. Strongly supports proposal and believes it will be of significant benefit to the public. It will also reduce project costs by reducing regulatory delays and mitigation expenses which may be unnecessarily caused by concern arising from worst case scenarios.

43. Amoco. Agrees with guidance. Too often, unreasonable assumptions are made -- for example, that every lease holding will be developed and that every well will be drilled.

44. International Association of Drilling Contractors. Supports the reasonably foreseeable threshold. The old worst case analyses were usually unrelated to the "real world" and thus distorted the picture of the decisionmaker.

    Worst case projections for offshore oil leases have been based on assumptions that all tracts will be leased and drilled on at the same time. Historical data and present conditions show this couldn't occur -- there aren't even enough drilling rigs to go around. Interior's calculations on oil spills also fail to take into account technology developed over the past few years. "To continue to allow unreliable, unrealistic propositions to be put forth under the 'worst case' analysis would be to allow continued distortion in the decision-making process."

45. Ashland Coal, Inc. Fully concurs with guidance. "It would be counterproductive to perform a 'worst case' analysis when there is no reason to believe that conditions comprising a 'worst case' would arise or if sufficient data on the 'worst case' is readily available.

Congressmen

46. Congress Don Young. Urges adoption of proposal as soon as possible. Believes worst case analysis can presently be misleading and results in opposition to federal projects.

47. Congressman Bill Tauzin; Congressman Jack Fields. Commends Chairman for proposal; believes it would make data more accurate and meaningful. Current practice creates false, alarming impressions. Supports NEPA; believe proposal supports NEPA. Urges adoption and possibly amendment to regulations.

48. Congressman Edwin Forsythe, (N.J.). Ranking Minority Member, Committee on Merchant Marine and Fisheries. Supports guidance. "The uproar and opposition to many major Federal actions too often are the result of assumptions based on probabilities that, when calculated, have the same odds as Mars colliding with the Earth." A good example is DOI's worst case analyses in the Federal Outer Continental Shelf oil and gas leasing programs, made upon the assumption that all tracts will be leased and then drilled upon at the same time. The actual probability of harm

needs to be clearly delineated in worst case analyses.

Private Citizens

49. Rolf T. Gusland, a "concerned citizen from San Francisco." "...this is just another example of Ronald Reagan's steps backward when it comes to regulations that protect your and my health."

50. Shayne. Honolulu. Believes worst case analysis should be required in all EIS(s).

51. Tom Peckinpaugh, Washington, D.C. Strongly supports proposal, particularly as it relates to nuclear energy.

52. Michael R. Fox, Ph.D., Richland, Washington. Supports elimination of worst case approach, particularly in regards to nuclear power. Recommends a "probablistic risk assessment" instead. Risk should be measured by asking "How does society spend money to save lives." For example, society spends $25,000 per life saved in our cervical cancer screening programs, and $200,000,000 per life saved in nuclear safety programs. This is absurd, expensive and unethical.

53. Stephen Buckley, Alexandria, Va. Guidance should be more objective and give more specific guidance, such as assigning numerical probability.

54. Technical Information Project (South Dakota). Proposal misconstrues intent of regulations and mounts to rulemaking. Strongly oppose draft.

55. Mrs. Lynetti Carosielli, Albuquerque, N.M. Understands "there is a chance that the public may no longer have to be notified if there is a possible environmental hazard in our neighborhood. As a concerned voter, parent, and teacher, this upsets me."

56. Arlene Spanier, Tamarac, Florida. Against proposal.

Environmental Groups

57. Nick Yost. "I respectfully submit that the proposed guidance would, however, be a major mistake and would ill serve the goals which it is the purpose of NEPA to further." It would gut the worst case requirement, which is the best way to address low probability/high severity impacts. The proposed guidance does not accurately reflect the mandate of the CEQ NEPA regulations. It would unwisely reverse CEQ's public interpretation of the worst case requirement, and it runs counter to the weight of judicial opinion. The guidance would undercut administrative practice, at, for example, the NRC. "It would be a shame for CEQ -- an agency charged with concern for the environment -- to undercut these healthy developments."

    Worst case analyses do not cause undue burdens. It applies to only a small proportion of EIS(s) and there have been only a few cases on it (about 5 from 1979-1983).

    Further, the proposed guidance would undercut the consensus that exists with respect to the CEQ NEPA regulations.

In view of the above problems, the Council should place a notice in the Federal Register withdrawing the proposal for further study of the problem.

58. Northwest Coalition for Alternatives to Pesticides. Opposes proposal as weakening regulation. "It has been our experience that agencies only use the information that supports their preferred programs ..." This proposal will be more of a burden to the public.

59. Pacific Northwest Resources Clinic (Oregon). The guidance should be drawn or revised to conform with NEPA and the worst case regulation itself. The proposal is contrary to the plain language of the CEQ regulation, and to NEPA itself, and to court opinions dealing with worst case.

Adoption of this guidance would be a "setback to the long tradition of vigorous NEPA Enforcement."

60. Conservation Law Foundation of New England. If guidance is adopted, it will result in a redefinition of worst case which will destroy its original function. The role of worst case is to ensure that agencies look beyond the reasonably foreseeable. If guidance is necessary, it should instead focus on what is needed in a worst case analysis, which can vary in scope and size depending on significance and public concern. Many of these issues can be resolved at the scoping stage. CEQ could also provide some examples.

61. Southern Oregon Citizens Against Toxic Sprays. Strongly opposes guidance. The worst case regulation is designed to insure that all possible effects of agency actions are evaluated. It is exactly because impacts cannot be predicted without adequate information that the regulation exists. They also believe that it is a change in the regulations.

62. N.R.D.C., Inc. Opposes guidance and urges its withdrawal. The current CEQ rule is based on NEPA case law that "one of the costs that must be weighed by decisionmakers is the cost of uncertainty — i.e., the costs of proceeding without better and more information." CEQ has traditionally regarded the worst case provision as very important.

When CEQ issued the regulation in draft form, it received the same sort of comments which the proposed guidance is designed to address. To meet this concern about probability, CEQ changed the regulation to require an agency to discuss the probability of the consequences it considers in the worst case analysis. During the process, the Council rejected the position now proposed in the guidance, which actually amounts to a change in the regulation.

63. National Wildlife Federation. The proposal "gives bad, judicially reversible advice on when to conduct a worst case analysis." The guidance directly contradicts the CEQ regulation, CEQ's past interpretation and judicial decisions.

Federal agencies need guidance as to how the worst case regulation should be implemented. The rule is sensible policy and necessary to carry out NEPA. It implements a unanimous court decision which stated that,

> "It must be remembered that the basic thrust of NEPA is to predict the environmental effects of proposed actions before the action is taken and those effects fully known. Reasonable forecasting and speculation is thus implicit in NEPA and we must reject any attempts by agencies to shirk their responsibilities under NEPA by labeling any and all decisions of future environmental effects as 'crystal ball inquiry.'" (Emphasis added.) Scientists Inst. for Public Info. v. AEC, 484 F.2d 1079 at 1092 (D.C. Cir. 1973)

The guidance in effect tries to amend the regulation, which cannot be done except by rulemaking under the Adminstrative Procedures Act. However, since it has been previously acknowledged that the regulation is a codification of NEPA case law, "it is highly questionable whether CEQ has the authority ...to weaken this rule's substance."

The NWF suggests, in effect, a "sliding scale" approach to the worst case question. Thus, if a "worst case" is viewed by an agency as having an extremely low probability of occurring and the impacts are determined to be insignificant, a "seat of the pants" analysis would suffice. As the probability of occurrence and the severity of the impacts increase, the depth and analysis of the worst case analysis should become more extensive and elaborate.

NWF suggests that CEQ issue "a revised guidance memo based on should legal and policy judgment."

64. Sierra Club Legal Defense Fund and Environmental Defense Fund. There is a great deal of practical importance attached to an analysis of low probability, high severity environmental impact. In the case of Sierra Club v. Sigler, 695 F.2d 957 (1983) (the Galveston deepwater oil port case), the Corps of Engineers refused to acknowledge the possibility of an oil spill in Galveston Bay, despite a record of their historical occurrence. In the absence of a worst case analyis in the EIS, the Corps never reviewed the hazard of an onshore terminal versus the hazards of an offshore terminal.

The Sigler decision provided a clear interpretation of when a worst case analysis must be prepared. CEQ's guidance at this time is unnecessary and will cause confusion. Further, the guidance is inconsistent with the opinion in Sigler, which clearly ruled out the threshold approach suggested by CEQ. The court did make a distinction between a "remote" event and an event with "unreasonably speculative" consequences for which there is no data on which to base an impacts or probability analysis.

(Meeting): A worst case need not be very complex and technical. In the Sigler case, the Corps produced a 26 volume EIS but never touched on the worst case. All the Sierra Club is looking for is recognition of the problem, and plaintiff's lawyer is thinking in terms of a 10-15 page analysis.

In Sigler, the court formulated a two prong test which could be helpful to CEQ and the federal agencies. The court would require a worst case only if:

— 1) the possible worst case was grounded in historical or scientific fact, and

— 2) an analysis could be made with a meaningful discussion of the effects of the worst case.

If applied in a common sense manner, this requirement is not unduly burdensome. CEQ's efforts might be better directed to an examination of how the agencies are implementing the requirement rather than attempting to redefine the regulation.

INCREASED ROLE FOR SCIENTIFIC COMMUNITY

Mr. HILL. Interestingly, our General Counsel has felt for some time that in drafting regulations we have involved too many practitioners of the legal arts and not included enough experts from the scientific community who do worst case analysis. So the process we are going through now is to begin with the scientific community to gather comments and then go to the legal community for review before we release a draft for public participation, public comment and so forth.

Senator GARN. What are your current plans relative to reissuing guidance on the worst case situation?

Mr. HILL. We will be going through a process which first involves the formulation of an advisory body from the scientific community. We estimate that the formulation, having them get together and give us their best thoughts, will take approximately 3 months. We built in a 30-day period, at least 30 days, for the lawyers to take a look at whatever is drafted. Then we will publish in the Federal Register and provide a minimum of 30, if not more, days for the public to comment on a revised draft. At that point, if we feel we need to hold a public meeting to get further comments, we will do that. If not, we will go ahead with the revised guidance to agencies. And it could be that through this process we may have to face the question of revision of the regulations, in which case that would go through the normal administrative process, which is how long?

Ms. Bear. Approximately 2 months.

Mr. HILL. That would add another 2 months.

But what we are trying to do is be as careful as possible and provide the maximum opportunity for public participation.

SUBMITTED QUESTIONS

Senator GARN. Thank you very much. We appreciate your willingness to testify today. We do have additional questions, as a matter of fact, 15 pages of additional questions, we would like you to respond to in writing for the record. Thank you very much.

Mr. HILL. Thank you.

[The following questions were not asked at the hearing but were submitted to the Council for response for the record:]

Questions Submitted by Senator Garn

MANAGEMENT FUND

Question: You note that the Council has requested legislation establishing a Management Fund to replace the Consolidated Working Fund beginning FY 1985. I see that this bill language is contained on Page 57 and 58 of your budget justification. Have you had any reaction to this language from your Authorizing Committees as yet?

Answer: The staffs of the House Subcommittee on Fisheries, Wildlife Conservation and the Environment and the Senate Committee on Environment and Public Works have indicated support for CEQ request for a Management Fund. This request is contained in the Administration's version of the Reauthorization Bill for the Office of Environmental Quality, which was not introduced. Congressman Breaux is expected to offer the Management Fund provision as an amendment to the Committee's Reauthorization Bill at the markup session.

In addition, Congressman Sabo indicated at the Council's appropriation hearing that the House Appropriations Committee has urged the authorizing committee to include language for a management fund in its bill.

Question: I assume that if this Management Fund was created that the Council would still present to the Subcommittee a consolidated budget statement including expected reimbursements as part of its annual budget justification.

Answer: CEQ will prepare a separate section in its Budget Justification projecting budget year reimbursements for interagency environmental projects. In addition, the Management Fund will be presented as a separate account with its own narrative statement and budget schedule. Under the current presentation rules, the Consolidated Working Fund appears as a single line item entry in the agency's salary and expense account.

Question: I also assume that the Subcommittee's regular reprogramming requirements, in terms of the use of monies in that fund, would be followed by the Council?

Answer: CEQ will adhere to the Subcommittee's reprogramming requirements for any significant departure from the Management Fund programs as presented in the Budget Justification. This is unlikely to occur. In addition, any Management Fund monies received by interagency agreement will be used only for the purpose provided for therein.

INTERNATIONAL COOPERATION

Question: Executive Order 11514, issued in March of 1970 directed the Council to "advise and assist the President and the agencies in achieving international cooperation for dealing with environmental problems, under the foreign policy guidance of the Secretary of State". I mention this because I recently had an opportunity to talk to the Mayor of San Diego about a potentially serious health problem that faces the citizens of San Diego. As you probably know, one of San Diego's neighbors, Tijuana, exports significant quantities of untreated wastewater to San Diego. Has the

Council discussed this environmental issue with the Secretary of State?

Answer: I have discussed the question of untreated wastewater in the Tijuana/San Diego area with representatives of the Department of State, the EPA (both headquarters and regional office staffs), the Chairman of The California State Water Resources Control Board, and the Assistant Secretary for Resources in the State of California. It is a serious problem. While the U.S. recognizes the seriousness of the problem, the U.S. also looks to the Mexican government to undertake and finance treatment facilities on its side of the border.

Further, I have discussed the question of pollution in the New River in the Calexico/Mexicali area as well. Both of these areas are under active discussion in the bilateral meetings held in accord with the treaty to control pollution signed by the Presidents of Mexico and the U.S. last fall.

Question: Could you please provide the Subcommittee with a brief report by September 30, 1984 on the seriousness of this problem and what options are being considered by the U.S. and Mexican governments?

Answer: Yes, CEQ will provide this document to the Committee.

GLOBAL ISSUES WORKING GROUP

Question: In 1982, you formed an interagency Global Issues Working Group to assist in the development of policy recommendations on global environmental issues. This group is responsible for assessing the capability of Federal agencies to gather and assess environmental data. What other agencies are members of this working group?

Answer: The agencies comprising the Global Issues Working Group (GIWG) are:

- Council on Environmental Quality;
- Department of State;
- Environmental Protection Agency;
- Agency for International Development;
- Department of the Interior;
- Department of Energy;
- Department of Agriculture;
- Department of Commerce;
- Department of Defense;
- National Aeronautics and Space Administration;
- Department of Justice;
- Corps of Engineers;
- Department of Housing and Urban Development;
- Department of Health and Human Services;
- National Science Foundation;
- Federal Emergency Management Agency;
- Department of Education;
- Office of Science and Technology Policy;
- Department of Transportation;
- National Security Council;

- Council of Economic Advisors;
- Office of Management and Budget; and
- Office of Policy Development.

QUESTION: Is there an agenda for FY 85?

ANSWER: The activity involving an evaluation of the capability of Federal agencies to gather and assess environmental data is a part of the ongoing efforts of the GWIG. Current projects also include:

- o Preparation of an inventory of "U.S. Government Participation in International Treaties, Agreements, Organizations and Programs in the Fields of Environment, Natural Resources and Population;"
- o A study of "The Needs for and Sources of Resources Information in Large U.S.-Based Corporations" (due May, 1984);
- o Preparation of a guidebook on access to sources of information on the environment, natural resources and population (due July 1, 1984); and
- o Preparation of a report on global issues for the Cabinet Council on Natural Resources and the Environment (CCNR&E) (in final draft).

The GIWG agenda for FY 1985 is ultimately a decision of the CCNR&E, but is expected to include:

- o monitoring programs;
- o selected global issue folow-up study(ies); and
- o evaluation of Federal foresight and modelling responsibilities and capabilities in the areas of environment, natural resources and population.

EMISSION TRADING STUDY

Question: Last year, you told us that you planned to complete a study on whether recent EPA air quality management reforms can be applied to water and solid waste management during FY 84. I understand this study will be built on the work already conducted by the National Science Foundation, the Government Accounting Office, and the Council of Economic Advisors. What is the status of this effort?

Answer: The CEQ Emissions Trading Study is being conducted in five stages. CEQ is now in the third stage of completion. The project is outline as follows:

Stage 1: Description of the technical and scientific requirements for implementing an emissions trading system in air quality management. (completed)
Stage 2: State government responses to the concept of emissions trading. (completed)
Stage 3: Specific applications of emissions trading

in air quality management, e.g., ozone, acid rain. (technical conference scheduled for July 1984)
Stage 4: The development of market-based trading concepts for water quality management.
Stage 5: The development of market-based trading concepts for solid waste management.

Outputs from three stages of the project, which have been completed, include:

Stage 1: "Emissions Trading: The Response of the States", by Gordon L. Brady;
Stage 2: "Emissions Trading: An Overview of the Technical Requirements", by Gordon L. Brady; and
Stage 3: "The Application of Emissions Trading to Department of Defense Installations", by Gordon L. Brady and Richard D. Cunningham.

In July, 1984, CEQ and the Department of Interior will conduct a technical workshop on the application of emissions trading to SO2 abatement. The technical workshop will consider the cost-effectiveness of emissions trading, how it may be used to address long-distance-deposition questions, and the impact on low-sulfur coal development. The results of the technical workshop will be published.

Stages 4 and 5: The workshop materials will be the basis for futher development in the areas of solid waste management (Stage 4) and water quality management (Stage 5).

CHEMICAL SUBSTANCES INFORMATION NETWORK

Question: In FY 84, you intend to complete work on the Chemical Substances Information Network (CSIN) program. This program was designed as a means of providing information to administrators, engineers and scientists on the development, production, use and regulation of chemicals. Please explain in more detail the purpose of this program.

Answer: CSIN evolved as a concept in response to Section 10 of the Toxic Substances Control Act (TSCA) (PL-94-469) which states ".... departments and agencies design, establish and coordinate an efficient and effective system for the retrieval of toxicological and other scientific data...." The concept has been guided in an overview manner by the Interagency Toxic Substances Data Committee (ITSDC) which is co-chaired by CEQ and EPA and is also mandated under TSCA. The CSIN Program is to reduce the burden induced on both private and public sector organizations by Federal law oriented toward chemical substances. CSIN allows computer naive users, as well as computer sophisticates, to access, use and retrieve data and information from systems which have been interfaced via the management computer without any knowledge of or training on the use of these systems. The private and public sector systems are all different in terms of mandate, geographical location, computer hardware and software used to structure the operating environment, communication protocols, data and information content, record format and command language used. A user need know only how to respond to a series of CSIN questions (menus) instead of having to know 7 command or search languages. CSIN, when searching more than one information resource, provides staff productivity gains of 10-30% and a 20-50% cost savings when compared to traditional search methods. Further, CSIN can be a cost-effective vehicle for the sharing of public and private sector data and information as well as being a mechanism for identifying similar or duplicative activities. The technology which supports CSIN now can easily be applied to any other computerized data and information (i.e., financial, economic, social sciences).

Question: Have other agencies participated in this program?

Answer: Twenty-one departments, agencies and programs have participated in CSIN in an oversight function via their membership in the Interagency Toxic Substances Data Committee. Nine agencies have provided funds to the CSIN Program. Of the $7.4 million applied for direct and related costs, 80% has come from EPA, 16% from the National Library of Medicine and the remaining 4% from the Council on Environmental Quality, National Institute of Environmental Health Services, Consumer Product Safety Commission, United States Coast Guard, Department of Defense -- Environmental Policy Office, Department of Justice, National Technical Information Service. Close to 200 individuals from 74 programs of 20 USG departments and agencies have been trained in the use of the management technology.

Question: I understand that you intend to transfer this program to the National Technical Information Service (NTIS) in FY 84. To what extent have companies from the private sector been involved with the program over the last two years?

Answer: It is our objective to bring the management technology to a level of maturation and increase its attractiveness through the addition of user community identified features and enhancements by the end of FY 84. This goal was originally predicated on the identification of sufficient funds early in FY 84. When the technology is properly matured, it will be made available for sale or lease to any organization throught the NTIS. Since the management software is complex, the time from sale or lease to having a full time operational capability could take a private organization 4 to 8 months. Thus arrangements must be established to ensure continuity to the existing user communities; such as, a continued USG operation, alone or via a cooperative effort with another public or private sector organization or group.

Interest has been expressed by private sector organizations in several ways. Approximately 150 individuals from 50 companies have been trained in the use of the management technology. Of these organizations, ICI-Americas, CIBA-Geigy, Ford Motor Company, Tracor-Jitco, and Chemical Abstracts Services have been involved in the evaluation of performance and reliability characteristics and/or the impact of the management technology on organizational productivity. Four corporations have expressed interest in discussing with Network Administration the administrative and technical issues relevant to making their corporate chemical information data bases accessible through CSIN. Several companies have also discussed the possibility of funding management software enhancements that would benefit all of the user community.

Question: Has any business expressed an interest in running the Program?

Answer: While interest has been expressed by members of the information industry, these groups feel the technology needs to be enhanced with identified and critical value-added features in order to support a viable and profit-making operation. It has been estimated by CSIN Program Administrators and representatives of the information industry that this enhanced CSIN should be capable of making a profit by the middle of the fourth year of operation — which timewise is an acceptable venture effort on their part. Several chemical and oil companies are studying the applicability of the CSIN technology for stablishing a similar interval network for their corporate data and information activities.

Question: What additional resources are needed to make this system fully operational?

Answer: The value-added features identified by the communities will cost $676,000 and take 26 weeks to complete once they are established as a task on the most appropriate ongoing contract. The time required to transfer resources via Interagency Agreements or Memoranda of Understanding plus the time to exercise contract options and establish the necessary amendments takes an additional 6 to 8 weeks. Basic operations, maintenance and user support services cost $100,000 per month. The more rapidly resources can be identified, the sooner the technology can be completed and deployed.

PRIVATE SECTOR INITIATIVES

Question: In your opening statement and in your budget justification, you indicate that the Council is planning a symposium to examine private sector initiatives for species preservation. Could you please briefly expand on the purpose of this symposium and what indications does the Council have that such private investment is likely to ccur in the future?

Answer: There has been a great deal of discussion, both in this country and other countries, about whether private sector projects can, in some instances, aid in the preservation of various species. The idea behind the Council's proposed symposium would be to organize and conduct a two or three day symposium to examine the biological, legal, and economic parameters that influence the effectiveness of private management programs for wild living resources. As currently envisioned, the program would consist of workshops, in which papers are presented and verbal discussions follow. Experts would identify conclusions or general guidelines concerning the applicability of private approaches to wildlife management. As government officials and the public generally think of wildlife management in terms of government programs, this exercise should provide greater visibility to the potential for private conservation efforts.

One example of such investment is in the Southwest area of the country, particularly Texas, in which some ranchers are devoting a substantial portion or their land to hunting. This activity has proved quite profitable for some land-owners, while at the same time, benefiting native species through the increased protection of habitat. The Council will involve a wide array of participants in this activity, including environmentalists, state fish and wildlife enforcement bureaus, representatives from affected federal agencies, and interested citizens.

AUTHORIZATION OF APPROPRIATIONS FOR THE OFFICE OF ENVIRONMENTAL QUALITY

Question: This year the Administration has submitted a bill to Congress to authorize appropriations for the Office of Environmental Quality during FY 85. The amount requested in the bill is $480,000. How does this compare to the amount of appropriated funds that the Office will obligate in FY 84?

Answer: The appropriation for the Agency is provided under two different laws. The National Environmental Policy Act establishes the Council on Environmental Quality with three Members. The Environmental Quality Improvement Act provides for the Office of Environmental Quality with the support staff for the Members. The authorization level requested for the Office is the anticipated level of funding required for support staff and related expenses with the requested appropriation of $700,000.

NON-REIMBURSABLE DETAILEES

Question: Could you please provide, for the record, the number of non-reimbursable detailee months used by the Council during FY 83 and an estimate of the months that will be used during FY 84 and FY 85?

Answer: The Council relies on detailees for some of its technical work because this facilitates its role of interagency coordinator and provides temporary expertise for short-term policy development projects. In addition, the Council is required by Section 205 (2) of Title II of the National Environmental Policy Act "to utilize, to the fullest extent possible, the services, facilities and information of public and private agencies and organizations...."

The Council had 6 non-reimbursable detailees for various periods in FY 1983, for a total of 25 months. A total of 6 non-reimbursable detailees and 40 months are planned for FY 1984. This increase is due in part to additional assistance required for the water research center and information clearinghouse studies. CEQ currently estimates that 30 non-reimbursable detailee months will be required in FY 1985.

Question: Can you also indicate the personnel compensation and benefits paid to these employees by their agencies during the time that they were on detail to CEQ?

Answer: The Council was not supplied with any records from the contributing agency about a detailee's compensation or benefits. However, CEQ estimates that the average grade of its detailees is a GS 13.

ADMINISTRATIVE OFFICER

Question: Your budget justification indicates that you intend to replace your Administrative Officer with an environmental monitoring specialist. This action will be possible since the Executive Officer of the President's Office of Adminstration will assume more of the Agency's administrative functions during FY 85. The Subcommittee encourages this change in the Council's staff structure.

Answer: The Council will institute this change as soon as it is able to transfer its career Administrative Officer to another agency.

INTERNATIONAL WHALING COMMISSION

Question: During FY 84, the Council will continue oversight of the International Whaling Commission in support of the moratorium on commercial whaling. Can you describe the activities that the Council will undertake during FY 84 and FY 85 relative to the Whaling Commission?

Answer: During FY 84 and FY 85, CEQ staff will attend meetings of the interagency committee which assists the National Oceanic and Atmospheric Administration in preparing for meetings of the International Whaling Commission. Additionally, we will maintain discussions with concerned public interest groups regarding methods of supporting the moratorium on commercial whaling and coordinating such support within the administration.

Question: Could you please keep the Subcommittee informed as to your activities in this area?

Answer: We will be pleased to keep the Subcommittee informed of our efforts in this field.

CONSOLIDATED WORKING FUND

Question: Page 37 of your budget justification shows the obligations for the Council during FY 83, FY 84 and FY 85. A footnote to that table indicates that the Fiscal Year 1985 estimates do not include any projections for the Consolidated Working Fund. Could you please provide a rough estimate as to the level of funding that you would expect to have from the working fund during FY 85?

Answer: The Consolidated Working Fund is divided into separate accounts for different activities. Division 100 is for interagency environmental studies. This involves short term projects about emerging issues which cannot be anticipated in advance of budget preparation. Based on previous experience and CEQ's plans for greater role in interagency research coordination, we currently estimate funding in the amount of $1,250,000 to be provided in FY 1985. This represents a 25% increase over current year projections. The other FY 85 division is for regular program activities for the Interagency Task Force on Acid Precipitation (ITFAP). This program is planned well in advance and funding requirements for FY 1985 have been established. The program budget for ITFAP (Division 200) is $675,000.

Total funding for the Consolidated Working Fund in FY 1985 is expected to be $1,925,000.

PERSONNEL COMPENSATION AND BENEFITS

Question: On Page 44 of your budget, contains a table of permanent positions by employment category for FY 85. That table indicates that the Council expects to have two Council Members. When do you expect the second Council Member to be appointed?

Answer: I have discussed the Council's requirements for a new Member with the Office of Presidential Personnel and expect a nominee to be announced soon.

Question: For FY 85, you are requesting $488,000 for Personnel Compensation for full-time permanent employees and $52,000 for Personnel Benefits. As you know, Section 409 of the FY 84 HUD-Independent Agencies Appropriations Act (P.L. 98-45) prohibits using any funds provided in the Act for Personnel Compensation and Benefits for other purposes without approval of the Committees on Appropriations. I just am drawing this to your attention in the event that some of your positions remain unfilled in FY 85.

Answer: CEQ does not expect any positions to be unfilled for inordinately long periods of time and will observe the prohibitions regarding use of funds appropriated for personnel compensation and benefits.

STANDARD LEVEL USER CHARGES

Question: During FY 84, you expect to obligate $100,000 for Standard Level User Charges. During FY 85, you expect this object classification to remain at the same level. How is it possible that the Council will not experience an increase in the SLUC, as is the case with every other agency?

Answer: General Services Administration estimates for our office space in FY 1985 are the same as those in FY 1984.

Question: What price are you being charged per square foot during FY 84 and what price do you expect to pay during FY 85 for your office space?

Answer: The billing rate established by the General Services Administration for the Council's office space is $19.57 for both FY 1984 and FY 1985.

QUESTIONS SUBMITTED FOR THE RECORD
BY SENATOR WALTER D. HUDDLESTON

OMB BUDGET REQUEST

Question: What was your budget request to OMB?

Answer: $962,000 for FY 1985.

FTE LEVEL

Question: Your FY 83 spending level was $926,000; your 1984 level is projected at $1.3 million ($700,000 plus the $600,000 supplemental), and your FY 85 request is $700,000. In each year, however, you have 13 FTE's. Are you shifting staff around to accommodate the various spending.

ANSWER: The CEQ appropriation for salaries and expenses was $926,000 in FY 1983 and $700,000 in FY 1984. In response to this budget reduction for salaries and expenses, two staff positions were eliminated in FY 1983. In addition other positions were vacant part of that year. As a result, the actual FTE level for FY 1983 was 13.4. The authorized FTE level for both FY 1984 and FY 1985 is 13.

DETAILEES TO CEQ

QUESTION: How many detailees did you utilize in FY 83 and from what agencies?

ANSWER: In FY 1983, the Council had 6 detailees -- five from EPA and one from the Army Corps of Engineers.

QUESTION: How many do you expect to use in FY 84?
FY 85?

ANSWER: CEQ plans to use 6 detailees in FY 1984.

QUESTION: What is the average length of stay at CEQ for a detailee?

ANSWER: The average length of stay for detailees was 4.2 months in FY 1983 and is expected to be 6.7 months in FY 1984 and 6 months in FY 1985.

WATER RESOURCE STUDIES

Question: Will you be able to complete the water resource research center and information clearinghouse studies within the $600,000?

ANSWER: Yes. The work for both studies is provided for in a single contract with a firm fixed price of $208,753. Additional funds will be required for public meetings and other directly related expenses such as postage and travel. No money from the supplemental appropriation will be used for salaries or the standard level users charge (rent for office space). In carrying out these activities, CEQ will continue to be cost conscious.

QUESTION: When will the studies be completed?

ANSWER: The studies will be completed by the Congressionally mandated deadline of September 30, 1984. A tight project schedule has been established as one of the requirements of the contract. This schedule provides deadlines to the contractor, as follows:

Senator Garn—Continued

	Completion Target Date
Initial CEQ Meeting with Contractor	March 5, 1984
First Progress Meeting	March 31, 1984
Submission of Task 4 and 5 Reports	May 4, 1984
Meeting on Tasks 4 and 5 Reports	May 11, 1984
Second Progress Meeting	July 2, 1984
Submission of Task 7 Report (Draft Final)	July 31, 1984
Meeting on Draft Final Report	August 7, 1984
Submission of Task 7 Report (Final)	September 7, 1984

QUESTION: What would you then expect to do with them?

ANSWER: The Council will transmit the contractor's report for the studies along with pertinent comments to the Congress for its consideration. The Council will testify if so requested and will provide briefings to Members of Congress and their staffs.

ACID RAIN PROGRAM

QUESTION: What activities related to acid rain are you currently engaged in?

ANSWER: The Council has been designated by the White House as the Executive Secretary of the Interagency Task Force on Acid Precipitation. CEQ has the responsibility for directly managing and supervising the activities of the Task Force and its staff. The Council also provides overall policy coordination on this issue for the Administration and developed the options paper for consideration by the Cabinet Council on Natural Resources and the Environment.

QUESTION: Please describe Acid Rain Desk Reference Book.

ANSWER: This manual is a collection of papers about recent findings pertaining to acid rain causes, effects, and mitigation. It is intended to provide background source material to federal policymakers.

QUESTION: When will it be available?

ANSWER: It is currently available and will be updated periodically.

QUESTION: Do you envision involvement in acid rain activities in FY 85?

ANSWER: CEQ will continue its role as Executive Secretary of the Task Force and provide interagency policy coordination in this important area.

CONTAMINATION OF GROUNDWATER BY PESTICIDES

QUESTION: Please describe the plans for the workshop on contamination of groundwater by pesticides

ANSWER: Certain risks are inherent in the use of pesticides, and these risks must be considered in the development of criteria for formulation, distribution, and application of pesticides. In order to assess whether or not potential contamination of groundwater should be a factor in the regulation of specific pesticides, it is necessary to determine if this potential contamination contributes unreasonable risk to human health or the environment.

CEQ is planning a workshop activity to address this issue. It plans to convene a panel of experts from the scientific community to discuss groundwater contamination by pesticides. Topics currently under consideration include:

1. The biodegradation of pesticides in the environment,
2. Bioaccumulation and biomagnification of pesticides,
3. Detoxication of contaminated soils by plants,
4. Impact of pesticides on soil microbes,
5. Groundwater quality and pesticide residues,
6. Alternatives to pesticides, and
7. Possible human health problems posed by pesticides.

This actiity will be an interagency project involving the Environmental Protection Agency and the National Science Foundation.

QUESTIONS SUBMITTED FOR THE RECORD
BY SENATOR DENNIS DeCONCINI

CEQ STATUTORY OBLIGATIONS

Question: The Council has a number of statutory obligations to meet with regard to environmental concerns in this country and abroad. What do you perceive to be the major role of the Council in meeting these obligations and how are priorities assigned within the CEQ?

Answer: As stated, the Council does have a number of obligations and opportunities relating to environmental issues. Two of the central activities which the Council traditionally undertakes to meet these obligations are preparation of the Annual Report on Environmental Quality and implementation of the National Environmental Policy Act. The Environmental Quality Report provides a means of determining trends, accomplishments, and deficiencies in federal environmental programs. The National Environmental Policy Act provides a means of assessing the environmental impacts of all major federal actions undertaken in this country. These two activities have been assigned high priorities within the Council, both because of statutory direction and their wide reaching coverage.

In the international field, the Council was instrumental in the formulation of Executive Order 12114 which implements NEPA insofar as the United States takes actions abroad which have a significant environmental effect. Our annual Report contains a chapter detailing environmental efforts abroad, and we participate in exchanges with various nations and international organizations relating to the environment. In addition, we attempt to fulfill requests from many other countries which are studying the environmental assessment process.

The Council also undertakes special studies, conferences or other activities relating to specific environmental issues as those issues are identified as an important priority by either Council Members or other officials of the Administration. Currently, we are focusing resources on the issues of acid precipitation, monitoring and environmental data, and global environmental issues.

CEQ FUNDING LEVEL

Question: Do you believe the Council has sufficient resources to meet its requirements under law? If not, what resources would the CEQ need to enable it to more fully meet its needs and requirements?

Answer: The Council has sufficient resources to perform its responsibilities. Additional resources could be utilized for professional staff in the areas of environmental data and monitoring, atmospheric science, oversight of the environmental assessment process, and preparation and management of the Annual Report.

Question: I note that the Administration has requested $700,000 for CEQ programs in FY 85. How can these programs be adequately implemented with this small amount of funding? Is staffing sufficient to oversee the environmental responsibilities of the Office? If not, how many additional personnel are necessary and what do you estimate the costs for these personnel to be?

Answer: The CEQ programs described above can be minimumly implemented with $700,000. Our current CEQ staffing requires the addition of detailees from several other federal agencies.

CEQ STAFF RESOURCES

Question: Does the CEQ have sufficient staffing in the area of scientific expertise to enable the Office to properly carry out its mandate under the NEPA and the Environmental Quality Improvement Act? If so, how do you plan to meet your obligations under these laws with your existing staff? Will this require the Office to utilize personnel in other agencies? If so, how will this affect the independent role of the Office?

Answer: To meet all our requirements under NEPA and the Environmental Quality Improvement Act, we utilize detailees from other federal agencies. We have been fortunate in obtaining several well qualified individuals; however, some difficulties do exist in regard to continuity within the agency.

REQUESTS FOR NEPA ASSISTANCE

Question: Has the CEQ been able to handle the numbers of requests for assistance from other agencies and state and local governments on a timely basis? Will you be able to meet your needs in this are in FY 85 with the recommended funding level?

Answer: CEQ attempts to respond to requests for assistance from federal, state and local agencies, and the private sector on a timely basis. However, this is not always possible.

Senator Garn—Continued

INCREASED EFFECTIVENESS

Question: How do you believe the CEQ could function more effectively?

Answer: The Council is performing well with limited resources. The existing limit on travel funds has hindered our ability to perform our duties as fully as possible.

ADDITIONAL PERSONNEL

Question: If increased funds were provided for additional scientific and legal staff, could the CEQ utilize these personnel on a full-time basis?

Answer: CEQ would be able to utilize additional scientific and legal staff in fulfilling our statutory obligations. However, our budget request is the basic level of support we require for FY 1985.

ENVIRONMENTAL PROTECTION AGENCY

STATEMENT OF WILLIAM D. RUCKELSHAUS, ADMINISTRATOR

ACCOMPANIED BY:

- **COURTNEY M. PRICE, AA FOR ENFORCEMENT AND COMPLIANCE MONITORING**
- **JOSEPH A. CANNON, AA FOR AIR AND RADIATION**
- **LEE M. THOMAS, AA FOR SOLID WASTE AND EMERGENCY RESPONSE**
- **HOWARD M. MESSNER, AA FOR ADMINISTRATION AND RESOURCES MANAGEMENT**
- **ALVIN L. ALM, DEPUTY ADMINISTRATOR**
- **BERNARD D. GOLDSTEIN, M.D., AA FOR RESEARCH AND DEVELOPMENT**
- **JACK E. RAVAN, AA FOR WATER**
- **JOHN A. MOORE, AA FOR PESTICIDES AND TOXIC SUBSTANCES**
- **C. MORGAN KINGHORN, COMPTROLLER**

BUDGET REQUEST

Senator GARN. Next if we could have the EPA come to the table.

Mr. Ruckelshaus, it is a pleasure to welcome you to your first appearance before this subcommittee. This is the first time since I have been chairman that EPA has not been embroiled in controversy, either real or imagined.

For fiscal year 1985, you are requesting a total budget of $4,293,254,000. This represents an increase of $64.4 million for S&E, $20.7 million for R&D, $2.1 million for abatement, control, and compliance, $7.9 million for buildings and facilities, and $230 million for Superfund. The budget also requests a $30 million reduction for the construction grant program. This reduction results from the elimination of the CSO program.

I see you have an opening statement. You can proceed in any manner you wish. If you summarize it, we will certainly include your full statement in the record.

[The statement follows:]

STATEMENT OF WILLIAM D. RUCKELSHAUS, ADMINISTRATOR, ENVIRONMENTAL PROTECTION AGENCY

Mr. Chairman, Members of the Committee: I appreciate this opportunity to review the status of our programs at the Environmental Protection Agency and the President's FY 1985 budget proposals. With me today are the Deputy Administrator, Alvin L. Alm, and the Assistant Administrators who manage our programs. We believe our budget will provide the Agency with the resources that are needed to take effective actions to protect the environment and public health.

Our 1985 budget request reflects the long range priorities that the President gave me when I returned as Administrator last May. These resources will ensure that the President's environmmtal objectives, as dictated by our many statutes, are fairly met.

During my confirmation hearing, I noted that both human and financial resources to do this job were the essential ingredients of success. I stated at that time that my first priority would be to recruit the best people I could find to manage the Ageny. The results of this highly successful recruitment effort at the Agency policy level are with me here today. They are joined by nearly 900 new colleagues at every level, hired over the last four months.

Equally, if not more important, was my commitment to reinvigorate the energy, spirit, commitment and self-respect of the very talented staff at EPA. Whether I have accomplished this only history will judge, but I have been hard at it.

Essential to our efforts to maintain the agency's credibility, both in the eyes of the public as well as our own, was a reevaluation of the Agency's resource needs.

The 1985 budget proposal you have before you is the result of the second set of budget-related decisions and initiatives I have taken. Following my confirmation, and with the strong support of Congress and the Administration, we were able to significantly increase the Agency's budget for the fiscal year that started last October. Our 1985 budget continues that period of expansion for EPA.

Continuing the Expansion of Resources for EPA

Our proposed 1985 budget represents a major investment in the future. The President is requesting $4.25 billion dollars supported by 12,298 workyears. The request includes $1.2 billion dollars and 10,941 workyears for our operating programs, $640 million dollars and 1,357 workyears for the Superfund program, and $2.4 billion dollars for municipal sewage treatment construction. These additions, when combined with the levels requested last summer and enacted by the Congress, amount to dollar increases of 106 percent in the Superfund program and 27 percent in our operating programs over the levels proposed before my return to EPA. These are substantial increases which are essential for us to address our critical environmental needs.

What I'd like to do now is to describe our 1985 budget proposal for EPA in the context of those priorities.

The Control of Hazardous Waste

The control of hazardous waste continues as a key environmental issue of great concern to Americans. It is a technically complex and highly emotional issue. Unless we address the most critical needs in a rational manner now, our course will be set by the crisis of the moment. We must manage the solutions to these challenges thoughtfully.

Several recent policy changes have greatly expanded our ability to expedite actions at Superfund sites. Specifically, we have:

° clarified the criteria under which emergency response can be undertaken, resulting in a significant increase in the number of sites at which the Agency can provide immediate response;

° eliminated State cost share requirements for remedial planning; and

° required that a site analysis be conducted prior to negotiating with responsible parties thus simplifying the negotiation process.

These policies have already resulted in EPA being able to double the number of remedial investigations initiated beyond those originally planned in 1983 with more than a fifty percent increase in the number of removals. Our 1985 budget reflects our intent to request reauthorization of the Superfund program. The activities we plan are based on the assumption that additional funding wil be available in the outyears.

The 1985 Superfund budget includes a 56 percent increase in dollars and a 35 percent increase in workyears from our current 1984 levels. The majority of this funding will be used to support a threefold increase from 1984 appropriated levels in the number of sites where remedial construction will begin. Other Superfund program increases requested in 1985 will support EPA's expanded enforcement efforts, particularly in the area of cost recoveries, and for research and development projects in support of Superfund activities.

At this time, we also find it necessary to request additional funds for 1984 -- $50 million dollars supported by 50 workyears -- to continue the expansion of the Superfund program and to accelerate our efforts to address uncontrolled hazardous waste sites. These funds will provide increased site investigations, designs and constructions.

New Acid Rain Research Initiative

The President's 1985 budget request more than doubles EPA's resources to support our acid rain research program. We are increasing EPA's research in this area from $15.4 million dollars to $34.4 million in 1985, a 124 percent increase from 1984. Federal Interagency acid rain research efforts double in 1985 to $55.5 million, compared to $27.6 million in 1984. In 1985, we propose to expand the basic research program in order to develop the necessary data to fully understand the sources and characteristics of acid rain -- to define the extent of damage caused by acid rain; and most importantly, to provide realistic options for mitigating its effects.

In addition to the increases in 1985, we are requesting a 1984 supplemental for acid rain research of $5.5 million dollars to support the National Lakes Survey. There currently is very little reliable data on how widespread the effects of acid rain might be. This program will survey some 2000-3000 lakes throughout the country, and continue the study of several hundred lakes on a periodic basis, in order to give us an accurate and uniform measure of acid rain damage.

Regardless of our position on a control program, everyone agrees additional research is essential.

Focusing Our Research Investments

Our proposals for our research program seek first to improve the management of our research efforts, and second to strengthen the resource base where it can be used effectively to achieve measureable environmental benefits.

EPA's 1985 research program will be strengthened by an increase of 14 percent, primarily in four areas:

° acid rain, which I've already mentioned;

° understanding the risks posed by hazardous and toxic chemicals;

° enhancing our research to control pollutants; and

° improving the scientific basis for estimating the human health consequences of environmental pollutants.

Solid scientific data can head us in the right direction and help us to devise intelligent strategies for using resources effectively.

Enforcing the Nations's Environmental Laws

I have stated on many occasions that EPA will enforce the environmental statutes of this country. The building blocks of a strong enforcement effort are determination, capacity and organization.

We have revised our enforcement organization to create a focal point for the development of national enforcement strategy. In terms of capacity, we increased the resource levels of the enforcement program in 1984 and are proposing dramatic increases in 1985.

As for determination, last month I emphasized to my enforcement directors: "The elements of a strong enforcement program are here -- you not only have my support, you've got my demand that something be done." In support of their efforts, we are requesting an increase of $32 million dollars and 350 workyears in our 1985 budget.

Sixty percent of the enforcement increases are for the Superfund program. This expanded resource base will enable the Agency to assure an adequate enforcement presence, given the increasing numbers of sites identified and included on the National Priorities List. The President's Budget also significantly increases EPA's resources for toxic substances enforcement to support additional inspections and case development for the PCB and asbestos-in-schools rules. We are proposing enforcement increases in permits by the end of fiscal year 1985. This will assure that industrial and municipal dischargers have permits in sufficient time to comply with proposed statutory requirements.

State Grants Remain Stable

EPA's 1985 budget request supports a strong partnership with State and local governments to carry out large parts of the Nation's environmental protection effort. All grants directly supporting state operations continue at their 1984 levels. The 1985 budget allocates a total of $238 million for grant assistance programs. For the Construction Grants Program, EPA's largest program, we are maintaining the authorized grant level of $2.4 billion.

The President's 1985 budget contains an initiative for the Chesapeake Bay. We are proposing a $10 million dollar program for the Chesapeake Bay, designed to support the Bay States through cost-sharing grants while continuing EPA's role in monitoring and modeling.

Focusing On What Still Needs To Be Done

Since I returned to EPA last May what has struck me the most is the vastly increased complexity of the Environmental Protection Agency's mission. Our budget proposals are most significant in that they are very clearly focused on the emerging needs of the Agency. With these resources, we will be able to deal with the agenda that the President, the Congress, and the people have set for the Agency. These resource needs are a solid foundation for the policies and strategies we as a Nation must pursue to assure continued progress across the spectrum of environmental challenges.

OPENING STATEMENT

Mr. RUCKELSHAUS. Thank you, Mr. Chairman. This is a rather short opening statement. I might just give it for the purposes of the committee.

Senator GARN. That is fine.

Mr. RUCKELSHAUS. I certainly appreciate this opportunity to review briefly the status of our programs at EPA and the President's fiscal 1985 budget request. With me today are the Deputy Administrator, Alvin L. Alm, and the Assistant Administrators who manage our programs. We believe our budget will provide the Agency with the resources that are needed to take effective actions to protect the environment and public health.

Our 1985 request reflects the long-range priorities that the President gave me when I returned as Administrator last May. These resources will insure that the President's environmental objectives, as dictated by our many statutes, are fairly met.

During my confirmation hearing, I noted that both human and financial resources to do this job were the essential ingredients of success. I stated at that time that my first priority would be to recruit the best people I could find to manage the Agency. The results of this highly successful recruitment effort at the Agency policy level are with me here today. They are joined by nearly 900 new colleagues at every level, hired over the last 4 months.

Equally, if not more important, was my commitment to reinvigorate the energy, spirit, commitment, and self-respect of the talented staff at EPA. Whether I have accomplished this, of course, only history will judge, but I have been hard at it.

Essential to our efforts to maintain the Agency's credibility, both in the eyes of the public as well as our own, was a reevaluation of the Agency's resource needs.

BUDGET INCREASE

The 1985 budget proposal you have before you is the result of the second set of budget-related decisions and initiatives we have taken. Following my confirmation, and with the strong support of Congress, this committee, you Mr. Chairman, and the administration, we were able to significantly increase the Agency's budget for the fiscal year that started last October. Our 1985 budget continues that period of expansion for EPA.

Our proposed 1985 budget represents a major investment in the future. The President is requesting $4.25 billion supported by 12,298 work-years. The request includes $1.2 billion and 10,941 work-years for our operating program, $640 million and 1,357 work-years for the Superfund program, and $2.4 billion for municipal sewage treatment construction. These additions, when combined with the levels requested last summer and enacted by the Congress, amount to dollar increases of 106 percent in the Superfund program and 27 percent in our operating programs over the levels proposed before my return to EPA. Needless to say, these are substantial increases which are essential for us to address our critical environmental needs.

What I would like to do now is to describe our 1985 budget proposal for EPA in the context of those priorities.

HAZARDOUS WASTE CONTROL

The control of hazardous waste continues as a key environmental issue of great concern to Americans. It is a technically complex and highly emotional issue. Unless we address the most critical needs in a rational manner now, our course will be set by the crisis of the moment. We must manage the solutions to these challenges thoughtfully.

Several recent policy changes have greatly expanded our ability to expedite actions at Superfund sites. Specifically, we have: (1) Clarified the criteria under which emergency response can be undertaken, resulting in a significant increase in the number of sites at which the Agency can provide immediate response; (2) eliminated State cost-share requirements for remedial planning; that is, the up-front cost; and (3) required that a site analysis be conducted prior to negotiating with responsible parties, thus simplifying the negotiation process.

These policies have already resulted in EPA being able to double the number of remedial investigations initiated beyond those originally planned in 1983 with more than a 50-percent increase in the number of removals. Our 1985 budget reflects our intent to request reauthorization of the Superfund program. The activities we plan are based on the assumption that additional funding will be available in the outyears.

SUPERFUND BUDGET

The 1985 Superfund budget includes a 56-percent increase in dollars and a 35-percent increase in work-years from our current 1984 levels. The majority of this funding will be used to support a threefold increase from 1984 appropriated levels in the number of sites where remedial construction will begin. Other Superfund program increases requested in 1985 will support EPA's expanded enforcement efforts, particularly in the area of cost recoveries, and for research and development projects in support of Superfund activities.

At this time we also find it necessary to request additional funds for 1984—$50 million supported by 50 work-years—to continue the expansion of the Superfund program and to accelerate our efforts to address uncontrolled hazardous waste sites. These funds will provide increased site investigations, designs, and constructions.

ACID RAIN RESEARCH PROGRAM

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Federal interagency acid rain research efforts double in 1985 to $55.5 million, compared to $27.6 million in 1984. In 1985 we propose to expand the basic research program in order to develop the necessary data to fully understand the sources and characteristics of acid rain, to define the extent of damage caused by acid rain, and, most importantly, to provide realistic options for mitigating its effects.

In addition to the increases in 1985, we are requesting a 1984 supplemental for acid rain research of $5.5 million to support the national lakes survey. There currently is very little reliable data on how widespread the effects of acid rain might be. This program will survey some 2,000 to 3,000 lakes throughout the country and continue the study of several hundred lakes on a periodic basis in order to give us an accurate and uniform measure of acid rain damage.

RESEARCH PROGRAM

Regardless of our position or the position of any Member of Congress on a control program, everyone agrees additional research is essential.

Our proposals for our research program seek first to improve the management of our research efforts, and second to strengthen the resource base where it can be used effectively to achieve measurable environmental benefits.

EPA's 1985 research program will be strengthened by an increase of 14 percent, primarily in four areas: (1) Acid rain, which I have already mentioned; (2) understanding the risks posed by hazardous and toxic chemicals; (3) enhancing our research to control pollutants; and (4) improving the scientific basis for estimating the human health consequences of environmental pollutants.

Solid scientific data can head us in the right direction and help us to devise intelligent strategies for using resources effectively.

NATIONAL ENFORCEMENT STRATEGY

I have stated on many occasions that EPA will enforce the environmental statutes of this country. The building blocks of a strong enforcement effort are determination, capacity, and organization.

We have revised our enforcement organization to create a focal point for the development of national enforcement strategy. In terms of capacity, we increased the resource levels of the enforcement program in 1984 and are proposing dramatic increases in 1985.

As for determination, last month I emphasized to my enforcement directors: "The elements of a strong enforcement program are here—you not only have my support, you've got my demand that something be done." In support of their efforts, we are requesting an increase of $32 million and 350 work-years in our 1985 budget.

Sixty percent of the enforcement increases are for the Superfund program. This expanded resource base will enable the Agency to assure an adequate enforcement presence, given the increasing numbers of sites identified and included on the National Priorities List.

The President's budget also significantly increases EPA's resources for toxic substances enforcement to support additional inspections and case development for the PCB and asbestos-in-schools rules. We are proposing enforcement increases in permits by the end of fiscal year 1985. This will assure that industrial and municipal dischargers have permits in sufficient time to comply with proposed statutory requirements.

EPA's 1985 budget request supports a strong partnership with State and local governments to carry out large parts of the nation's environmental protection effort. All grants directly supporting State operations continue at their 1984 levels. The 1985 budget allocates a total of $238 million for grant assistance programs. For the construction grants program, EPA's largest program, we are maintaining the authorized grant level of $2.4 billion.

The President's 1985 budget contains an initiative for the Chesapeake Bay. We are proposing a $10 million program for the Chesapeake Bay, designed to support the bay States through cost-sharing grants while continuing EPA's role in monitoring and modeling.

There still is a lot to be done, Mr. Chairman. Since I returned to EPA last May, what has struck me the most is the vastly increased complexity of the Environmental Protection Agency's mission. Our budget proposals are most significant in that they are very clearly focused on the emerging needs of the Agency. With these resources, we will be able to deal with the agenda that the President, the Congress, and the people have set for the Agency. These resource needs are a solid foundation for the policies and strategies we, as a nation, must pursue to assure continued progress across the spectrum of environmental challenges.

Mr. Chairman, that completes my opening statement. I would be glad to respond to any questions you might have.

Senator GARN. Thank you very much.

EPA'S STAFFING LEVELS

Before asking you any questions, I certainly would like to thank you for your cooperation with the subcommittee since you came back to EPA last May. Your assistance and that of your staff has been excellent. We certainly have had good cooperation.

As you know, the subcommittee has been assigned the task of developing a real-time budget analysis system for the committee. Your staff, and particularly Judy Lum, has been very, very helpful in helping us work that out. In addition, I would also like to thank Cynthia Davis who filled in and performed the job as secretary to the subcommittee during some difficult circumstances that we had. So we appreciate that very much.

Mr. RUCKELSHAUS. Thank you, Mr. Chairman.

Senator GARN. At last year's hearing there was a lot of concern expressed by Members of this subcommittee about EPA's staffing levels. During the course of marking up your fiscal year 1984 appropriations, Congress added $34.5 million to your January budget request. At that time it was estimated this would add approximately 800 positions funded out of S&E and that an additional 300 positions would be added in the Superfund account.

Your budget justification shows an estimated increase of 704 total work-years in fiscal year 1984.

How do you reconcile this with the figures that we estimated originally?

Mr. RUCKELSHAUS. Mr. Chairman, the operating programs were increased by 800 work-years and Superfund by 300 over the original 1984 budget request. The 704 total work-years that you referred to is the increase from the actual work-years used in 1983 to the estimated 1984 work-year use. We went from 10,843 to 11,547. There was some overceiling in that earlier estimate. That is why the discrepancy between the 1,100 authorized and 700-some that we have finally increased by.

Senator GARN. Your budget estimates indicate that you will have an additional 750 total work-years in fiscal year 1985 over the 1984 level. Given normal attrition, how many individuals will you need to hire in order to achieve this level of employment?

Mr. RUCKELSHAUS. If we hired them all on the first of October, of course we would hire 750. But in practical terms they will be spread across the whole fiscal year. We anticipate a hiring rate of about 115 people a month during fiscal 1985 in order to fully utilize our 750 work-years. So that in total it would be about 1,400 people over the course of that year. That takes into account attrition. That is about as fast a rate, in fact, as the Agency has ever tried to hire people.

MIX OF OCCUPATIONAL SKILLS

Senator GARN. Last year I questioned you about the mix of occupational skills at EPA. In particular I was interested in any changes in the number and percent of scientists and engineers at EPA over the last few years. Last week, at my request, you updated that information.

Could you please submit that table for the record?

Mr. RUCKELSHAUS. Yes, Mr. Chairman, we will. We have a chart that shows the increase in environmental engineers. We would be glad to submit that for the record.

[The information follows:]

EPA EMPLOYMENT MIX BY OCCUPATIONS

Ten largest occupations	October 1981		October 1982		October 1983		Current Estimate 1984		Estimate 1985	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Environmental engineers	1,486	11.1	1,428	11.5	1,490	11.7	1,535	11.9	1,750	13.1
Clerk typists..........	916	6.8	943	7.6	923	7.3	948	7.4	990	7.4
Secretaries............	1,183	8.7	1,110	9.0	1,123	8.8	1,130	8.8	1,190	8.9
General physical scientist..................	1,097	8.1	985	8.0	990	7.7	995	7.7	1,025	7.7
Environmental protection specialist.............	950	7.0	916	7.4	925	7.3	933	7.3	960	7.2
GS-301 ADMIN TYPES......	477	3.5	374	3.0	354	2.7	350	2.7	360	2.7
Chemists................	686	5.1	655	5.3	610	4.8	605	4.7	650	4.8
General biologists......	649	4.8	614	5.0	606	4.7	607	4.7	640	4.8
General lawyers.........	486	3.6	429	3.4	424	3.3	427	3.3	440	3.3
Admin tech.............	449	3.3	465	3.7	508	4.0	537	4.2	545	4.1

Senator GARN. Could you, in addition to putting it in the record, just briefly characterize the information in the updated table relative to changes in EPA's skill mix?

Mr. RUCKELSHAUS. Most occupational categories have remained constant in the last few years, and again the significant increase is in the number of environmental engineers. Our best guess is that is due to the Superfund hiring, where Superfund has moved up very rapidly. The first line of that chart indicates that there has been an 11-percent increase in the engineers, 12 percent in 1984, and 13 percent in 1985.

STATE GRANT LEVELS

Senator GARN. In fiscal year 1983, this committee added $49.5 million to the State grants program. In fiscal year 1984, we added $70 million to the administration's January budget request. In each of these instances we merely sought to restore the program to its prior level of funding.

I see that this time your budget contains a request for approximately the same amount as was provided by Congress in fiscal year 1984.

Does this indicate that you share our belief that States must be assured a consistent level of funding in order to perform their critical role?

Mr. RUCKELSHAUS. Yes, Mr. Chairman, there is no question about it. We have just completed a review of the State versus Federal role in administering environmental programs. In fact, I have just this week sent out some of the results of that by indicating what our delegation and oversight policies will be to the States. We had hoped that out of this review would come some suggestions as to what the various funding levels ought to be at the State versus Federal Government. We are in that phase now. But in the meantime, we think holding the States where they are in terms of funding is going to be necessary, and that is why we have requested this money to remain stable.

Senator GARN. I would note that EPA estimates suggest that States have twice as many employees engaged in environmental protection as does EPA itself and four to five times as many involved in direct operations. So it would appear to me in the long run that, really, the success of our national environmental effort depends on the States receiving adequate funding, where they are in terms of people making a larger effort than EPA itself.

Mr. RUCKELSHAUS. There is no question about it. I guess it is just a question as to where the money comes from. Does it come from the general taxpayer or does it come from the taxpayer in those States who are operating the program? That is really a discussion we have been having with them.

ENFORCEMENT OF ENVIRONMENTAL LAWS

Senator GARN. On February 1 you made a speech at the National Compliance and Enforcement Conference. In that speech you made it quite clear that you intend EPA to enforce the environmental laws. Of course, the issue of enforcement has been one that this committee has certainly been interested in over the years.

You have stated that you were "nervous about what I perceive to be an apparent lack of action and serious commitment to ensuring that these laws and regulations are enforced."

You went on to say, as you said during your confirmation hearings, that there are three aspects to enforcement: The will, the capacity, and the organization.

Do you believe that the organizational structure at EPA is adequate to perform the task?

Mr. RUCKELSHAUS. Mr. Chairman, I do. We tried to avoid a very large reorganization change in the Agency in light of the turmoil that had already taken place, in light of the fact that reorganization by itself has a very disruptive effect on any Agency activity. We did create the Office of Enforcement and Compliance. Mrs. Courtney Price, who is here with us at the end of the table today, is the Assistant Administrator in charge of that Office.

We gave that Office some new responsibilities, both at the headquarters level and in relating to the regional offices. We delegated to the regional offices more authority to initiate enforcement actions. We devised a new measurement system to understand whether we were really making progress in achieving compliance with environmental rules across the board. We have sent out, as I mentioned, the delegation and oversight guidelines for the States. So we think what we have in place is an organizational structure and a tracking system that will make us better understand, better measure, whether in fact we are really making progress against all of our environmental goals.

A very important piece of the insurance that progress is being made is our will, our capacity, and organization. I think we do have the right kind of organizational structure now and systems in place that will ensure it works. We now need time to test it and make certain that what we believe turns out to be true.

Senator GARN. Do you believe that your capacity now, in terms of staff and dollars, is sufficient to adequately enforce the laws?

Mr. RUCKELSHAUS. Yes, I do. As I mentioned, we have a rather substantial increase in our enforcement budget, both in 1984 and particularly in 1985, that we are requesting. I think we have enough people. It now is the question of ensuring they have the will and the capacity, or the will and the organizational structure, that we have the system in place to make it work.

ENFORCEMENT MOTIVATION

Senator GARN. In your speech you suggested that maybe the will was not there. What do you think can be done to motivate these individuals to take their enforcement responsibilities seriously?

Mr. RUCKELSHAUS. I think the will is there. When I came back to EPA last May, I felt that now that the Agency was obviously being directed by me, by the Congress, by others, to focus its attention again on its enforcement responsibilities, that we would have had an explosion of enforcement actions. In response to that, I was a little concerned that we not in the process forget about fairness, forget about due process in enforcing these laws. So I emphasized both the necessity of the laws being enforced and that we do so fairly, with a sense of overall justice in mind.

I think there was an initial increase in enforcement and then in the first quarter of this year I became concerned about what seemed to me to be a falloff in enforcement action. It was a result of those first-quarter reports that the speech that I made that you referred to in this enforcement and compliance conference.

I think the message is very clearly heard now by the people in EPA and that whatever motivation they needed was supplied by that meeting, not only by me but by Deputy Alm and by Courtney Price, who were also there, and by the regional administrators and their enforcement counsels who were there as well. So I think that motivation is now present and will begin showing up in the coming months.

Senator GARN. You mentioned you intended to hold them accountable. What did you have in mind?

Mr. RUCKELSHAUS. The only way we can be assured that will is there, that the motivation is properly in place, is if we review with the regional administrators and their counsel from time to time what we expect of them and whether, in fact, they are delivering on those expectations.

What I mentioned we are doing is putting in place a much more sophisticated measurement system so that we can really tell not just on the basis of how many lawsuits are filed or administrative orders are issued whether we are actually making progress against our compliance goals. That measurement system is in place. It needs time for us to get the feedback from the regions and see that it is working. But in the meantime we are going to have to ensure that the message is very clear to everybody that the will to enforce is there, and we are holding the regions accountable on the basis of some gross measurement systems that we have put in place to make sure that that message is out there very clearly.

Senator GARN. My time is up on this round. Senator Leahy?

NATIONAL AIR QUALITY STANDARDS

Senator Leahy. How many people are here from EPA? [Show of hands.]

How many from other executive agencies? [No response.]

Anybody here from OMB? [No response.]

Mr. Ruckelshaus, it is good to see you here. Again I would like to ask you a couple questions based on the 1985 budget.

In the budget you state that attainment of national air quality standards is among EPA's highest health-related priorities. Then you state that 90 percent of the more than 18,000 major stationary sources have achieved compliance with all applicable emission limitations.

Can the public really be that confident that there are few violations of our clean air laws and, therefore, their health is fully protected?

Mr. RUCKELSHAUS. I think that the public in general can be confident, Senator, that EPA has made significant progress over the life of this Agency, over some 13 years. One of the things we are currently reviewing is the way in which we measure compliance. There have been some GAO reports indicating that our measurement system of compliance, and there have been internal reports as well, tends to overstate the number of sources that are actually in compliance. I think that is probably right.

On the other hand, by simply saying, trying to measure compliance on the basis of exceedences of a given standard more than once a year, which is our current requirement on the statute, if we listed all of those as being out of compliance, we may, in fact, overstate the numbers out of compliance. What we are trying to do is put in place a system that measures significant noncompliance, areas where the public health isn't fully protected, and we do have some areas in the country that are in nonattainment with the national standards and thereby, almost by definition, we have some concern about the health problems associated with that nonattainment, and we are trying to get those areas in attainment.

COMPLIANCE WITH AIR STANDARDS

Senator LEAHY. But the reason I ask the question, Mr. Ruckelshaus, is certainly I get, as I suspect does every Member of Congress, questions from our constituents: What is EPA doing? It has been in the news a great deal of late. Is it doing its job? Isn't it doing its job?

We sometimes send back reports from EPA or from other sources. We have the statement that 90 percent of the more than 18,000 major stationary sources have achieved compliance with all applicable emission limitations. I find at the same time that the violation rate may be three times as high as that in total suspended particulates, the soot and dirt that just comes out of the smokestacks.

I have a memo from the Director of the National Enforcement Investigation Center to the Comptroller of EPA. Let me just quote one part of it:

> NEIC, at the request of the Air Division Director, has conducted investigations of more than 100 facilities in five regions. Approximately one-third of these facilities were found to be exceeding capacity limits.

Now, the summary of those tests were available at the time the budget was being prepared. I realize you don't normally prepare each line of that budget. But is the budget really being accurate if it says that noncompliance is 10 percent if noncompliance may be as much as three times that?

Mr. RUCKELSHAUS. I don't know that I would conclude from that one report that the noncompliance was three times what we have estimated in the budget, Senator. As I said at the beginning, I do think that we need to define compliance very carefully, that we need to make sure we are communicating to people as clearly as possible what we mean by compliance.

When we have people on schedule for compliance, they sometimes come off the list of being in noncompliance and on the list as being in compliance. I think when we make those kinds of statements about 90 percent or 80 percent or even if it is one-third out of compliance, we have to be very clear that we communicate what it is we are talking about or we will mislead people. I don't want to mislead people by the statement that 90 percent of them are in compliance.

I do think it is fair to say, and I think it is fair to communicate to the American people, that we have made significant progress in alleviating the problems of air pollution over the last 10 or 12 years. I would be the last to suggest that those problems are all over, that we don't still have some areas that need improvement, that we still don't have stationary and other sources out of compliance.

Senator LEAHY. But what worries me is depending on who you are asking, that 90 percent number is going to be passed around, and certainly for those who express concern their laws are not tough enough or not doing enough, they are going to be hit with that 90 percent.

For example, I had my staff doublecheck last week on that, and the Air Control Division officials said that the particulate level was about 90 percent. Yet it appears it is not.

Do you think that maybe that 90 percent was an unfortunate number to be in the budget?

Mr. RUCKELSHAUS. It depends on your definition of compliance. That is the problem. I think the enforcement thing is that it may be unfortunate for us to try to claim a certain percentage of compliance or noncompliance without being very clear about what we mean. What we are doing is reviewing these statistics and the basis for the statistics that we have been publishing in the past. I think we need to divide them into categories where we are, in fact, in compliance, where they are on schedule for compliance, where we have major noncompliance kinds of exceedences in particulate sources, and we have relatively minor exceedences. I think that is a more accurate description really of what is going on rather than use some gross figure like 90 percent or rely on 100 sources that have been examined by the Denver enforcement unit and conclude from that that only two-thirds of them——

Senator LEAHY. These are from five regions.

Mr. RUCKELSHAUS. I don't know at what sources they looked. I don't know how representative that sample is, whether we are two-thirds in compliance versus 80 percent.

ENFORCEMENT OF AIR STANDARDS

Senator LEAHY. The reason I ask the question, and I would be happy to have you look further at it and submit more material for the record, but the reason I ask the question is that there was a concern of mine for a number of years while we had some very good environmental laws on the books, laws passed by both Republicans and Democrats, under both Republican and Democrat administrations, a majority of Republicans and Democrats in the Senate, that the EPA, while not leading any charge to repeal the laws, simply didn't enforce them, which had the same effect. It is like a town where burglaries are against the law, but you can't put locks on the doors or have a police force, and if somebody does get caught, they are not going to be prosecuted.

You and I have discussed this before. I have stated that I would hope that not only the perception disappear with you at the helm, but the reality, too.

I am concerned. I am also told that notices of violations haven't been issued in 60 percent of the cases they now have and that the compliance monitoring inspections are down in 1985, or will be down in 1985, by over 330, or 16 percent.

I don't know if we are just dealing in apples and oranges or whether these numbers show a lack of enforcement will, a lack of enforcement; and if that is so, of course, it won't take very long for the polluting industries to get wind of this, no pun intended, and continue the pollution.

Mr. RUCKELSHAUS. Mr. Alm can give you some projections, Senator. Let me say as to the increase in our enforcement budget, which is, as I suggested in my statement, up rather dramatically——

Senator LEAHY. It is up to what I was asking for last year. I think last year we were told you couldn't possibly use that kind of money. I am delighted to see it up.

Mr. RUCKELSHAUS. We are absorbing over a period of 2 years instead of 1, Senator.

But there has been some shift in those enforcement dollars. As we have delegated these programs to the States, the States are the primary enforcement arm now of the delegated programs. Our responsibility is both to delegate it clearly and to oversee the States that they are doing their job.

The speech that I made to our enforcement people that was quoted by the chairman has already triggered a considerable reaction out of the States that what we are doing is taking back those delegations. That isn't what I have in mind at all. I do have in mind a partnership with the States, but the States are supposed to be the primary enforcement arm.

But if that partnership means we simply go to at the speed of the least common denominator, then it isn't a partnership aiming toward a goal of compliance that the Congress had in mind when it passed these laws.

But the fact the enforcement action shifts from air to hazardous waste to Superfund, as it has done, as reflected in this budget, it is not surprising to me where the delegations of the States are more complete in these more mature programs.

STATIONARY SOURCE ENFORCEMENT

Senator LEAHY. Is that why the numbers have remained virtually the same for stationary source enforcement in the 1984 operating plan to the 1985 request?

Mr. RUCKELSHAUS. Yes. I think that is right. Mr. Alm can give you those.

Mr. KINGHORN. The increase for stationary enforcement came in last year's budget amendment.

Senator LEAHY. Even with the same numbers.

Mr. KINGHORN. We are in the process now of hiring that increase of 50 percent. Our projections for full use this year and next year will be about a 20-percent increase in work-years.

Mr. ALM. To be specific, in 1984 we had 119 additional work-years in the air program. Forty-five of those positions are for direct stationary enforcement.

I may also comment about where we stand on enforcement actions for the next quarter. After the Administrator's speech to the enforcement conference, the regional administrators made projections about Federal enforcement actions over the second quarter. Those projections indicate that administrative actions will be up twofold over the first quarter. That will be 576 actions compared to 225 for the first quarter for all media. This would put us halfway toward our end-of-year target which is in the budget. Likewise, projected referrals are up three times in the second quarter over the first quarter. This again would place us very close to halfway to the end-of-year target. So what we are basically doing is substantially accelerating enforcement efforts.

LIDAR

Senator LEAHY. I remember back when Vermont first had its air pollution laws and my office had the authority to prosecute them, and one of the things we used was to hold the card up, check the smoke, and so on. Now you have what you call a lidar machine, l-i-d-a-r.

Mrs. PRICE. Yes.

Mr. RUCKELSHAUS. Courtney Price is our lidar expert, Senator.

Mrs. PRICE. Yes, sir. Lidar is used by NEIC as a technique to detect violations.

Senator LEAHY. About how many facilities can we get a year using lidar?

Mrs. PRICE. I don't have that information with me; I will have to provide it for the record.

[The information follows:]

LIDAR INSPECTIONS PER YEAR

Under ideal circumstances, the National Enforcement Investigations Center (NEIC) would be able to conduct approximately 125 inspections of facilities using Lidar.

Senator LEAHY. If I told you it was about 100 a year, would that seem a ballpark figure?

Mrs. PRICE. That sounds familiar, yes. We conducted at least 10 surveys thus far in response to regional requests. I am aware of the memorandum from which you were reading earlier.

Senator LEAHY. How many lidar machines do you have?

Mrs. PRICE. One.

Senator LEAHY. Are you getting a second one?

Mrs. PRICE. No, sir. We did not request a lidar expansion in fiscal year 1985.

Senator LEAHY. There are how many major sources, major pollution sources?

Mrs. PRICE. I think significant violators, 300——

Senator LEAHY. Not violators. How many major sources in the country, a ballpark number?

Mr. CANNON. We have different classifications for major sources. For what we call class A and class A1, there are about 27,000 sources that fall into that category.

Mrs. PRICE. Senator, we are, I think, considering along with the air enforcement people in the air program whether or not the Agency should expand the lidar usage. But no decisions have been made as of this date.

Senator LEAHY. How many sources have been identified as problem sources?

Mr. CANNON. Of the class A sources, we have about 3 percent that we know of that are in violation, about 796.

Senator LEAHY. Are those what you call problem sources or do you have a broader category for problem sources?

Mr. CANNON. Well, we don't have a category that says problem sources, but those are our sources that are in violation.

Senator LEAHY. How many?

Mr. CANNON. 796.

Senator LEAHY. You have been able to conduct 10 checks with the lidar machine now?

Mrs. PRICE. I can provide that information for the record. I can't tell you as of this time the total number of lidar surveys made.

[The information follows:]

As of March 23, 1984, NEIC has conducted 24 Lidar inspections.

Mr. KINGHORN. There is another lidar instrument available through R&D research. It is airborne mounted versus the one NEIC has that is truck mounted. And there is technical assistance to several States.

Senator LEAHY. The one used for checking for enforcement purposes, if you say around 100 a year, in 7 or 8 years you could check those that are now in violation.

Mr. RUCKELSHAUS. Senator, that is not the only way we check for noncompliance.

Senator LEAHY. That is what I am asking. That is my question.

Mrs. PRICE. I think the 100 number you were referring to had to do with 100 facilities. I said 10 surveys. Again, I can break that down to how many facilities per survey, if you would like.

Senator LEAHY. What would you use if you want to check at night?

Mrs. PRICE. One of the advantages of the lidar is it can be used to detect violations at night and also from a distance.

Senator LEAHY. What other methods have that kind of advantage?

Mrs. PRICE. To my knowledge, none.

Senator LEAHY. So that in followup to what you were saying, Mr. Ruckelshaus, I realize it is not the only method used. It is the only method if you want to do any checking of the air pollution at night, is it not?

Mr. RUCKELSHAUS. From what Mrs. Price tells me, yes.

Mrs. PRICE. To my knowledge, yes, sir.

Mr. RUCKELSHAUS. There are continuous emission monitors. There are requirements on these firms not only for monitoring but for reporting. That is where most of the violations show up. That is most of where we get the information as to violations. Plus monitoring stations that are stationed in many nonattainment areas. So that isn't the only technique that is used to find violations.

STAFFING FOR STATIONARY ENFORCEMENT

Senator LEAHY. I think we went over this. The enforcement staff is about the same in 1985 as it was in 1984 for stationary enforcement. I want to make sure I fully understand that. Is that because that is being turned over to the states, because the problem is under control, or just because of budgetary constraints?

Mr. RUCKELSHAUS. You are comparing 1985 to 1981, Senator?

Senator LEAHY. No; 1985 to 1984. I am going by the OMB submission.

Mr. RUCKELSHAUS. You are doing just air.

Senator LEAHY. I am doing stationary source enforcement.

Mr. RUCKELSHAUS. Well, there was a 45-position increase between 1983 and 1984 for stationary source in air. That is why we are flat in 1985.

Senator LEAHY. I am not sure that answers my question. Do you feel then that between 1984 and 1985 there is not an increase in the need for this kind of enforcement?

Mr. RUCKELSHAUS. We are increasing this year, right now, the people in air enforcement. We feel that once that increase is in place, we will have enough people to discharge our enforcement responsibility.

Senator LEAHY. Then with your 1985 request you feel your enforcement responsibilities will be discharged?

Mr. RUCKELSHAUS. Yes.

COMPLIANCE MONITORING INSPECTIONS

Senator LEAHY. If I read the numbers right, the number of compliance monitoring inspections in 1985 will be down by around 16 percent. Is that correct?

Mr. RUCKELSHAUS. It goes from 2,017 to our estimate of 1,685. That I think reflects more our understanding or our belief that the States are going to be doing more of these inspections in 1985 than they are now.

Senator LEAHY. Have you had a history that they will be? I mean are they already showing they are doing that?

Mr. RUCKELSHAUS. Well, it varies from State to State. But as these programs mature and are delegated and as we have the right kind of working relationship with the States, they have more people than we do. It is their responsibility to implement these statutes. And in most States they are discharging that responsibility. We have some States where we have a bigger presence because they haven't completely discharged that responsibility.

Senator LEAHY. How long does it normally take to get a notice of violation out once one has been discovered?

Mr. RUCKELSHAUS. I don't know whether I could give you an average answer to that.

Mr. CANNON. I don't know the answer.

Senator LEAHY. NEIC says around 3 months. Does that sound at all right?

Mrs. PRICE. Well, I don't know to what you are referring, Senator. If you mean in response to a survey done by the Lidar, the notices of violation are for the most part issued by the regional program offices and not NEIC.

Mr. ALM. That number varies by region. It is one of the issues that we are going to give a lot of attention to, and that is what kind of followup do we have on enforcement actions. This flows from the Administrator's speech to the enforcement conference. We have people in the field right now looking at the numbers. This is something that we will review with every regional administrator as part of their overall performance.

Senator LEAHY. Do you have an in-house standard that they should follow for the time?

Mr. ALM. We have some guidelines, but I want to see exactly what is happening and firm up guidelines for the Agency.

Senator LEAHY. Does 3 months seem like a very long time for you?

Mr. ALM. I would like to take a closer look. At first blush it does, yes.

Senator LEAHY. If you had found that over half of the violations had not received a notice of violation inside of 3 months, would you think that that showed it is taking too long?

Mr. RUCKELSHAUS. My own view is it would very much depend on the reason for that having occurred. When we get these numbers back from the regions of the kind you are quoting there, usually when you probe beneath the numbers you find there is some justification for why it has taken so long to move from an observed violation into issuance of an administrative order. It would be my guess it would very much depend on the nature of the violation and complexity as to where that would be reasonable or unreasonable time.

It does seem, as Mr. Alm has mentioned, like a longer period than it would take. But I would certainly want to review with the regional people the rationale for that period of time before making that judgment.

Senator LEAHY. You have been regulating soot and dirt since 1972. Do you feel that the enforcement is adequate today?

Mr. RUCKELSHAUS. I guess the short answer is "No," or I wouldn't have made that speech a month or so ago. But again, I am here casting that sort of blanket judgment across the Agency and across a lot of these States involved in this. Some of the States have very good active programs. We may see from a State, for instance, with a good active program, no enforcement actions. Well, that doesn't necessarily mean that they are doing a poor job. In fact, for that month they may be doing a perfect job. They may not have found anybody out of compliance.

ACID RAIN PROGRAM

Senator LEAHY. Let me ask you this: The President has made clear he does not want acid rain legislation. He spoke to it in his State of the Union message, of further study. I complimented him on at least acknowledging the acid rain problem in his State of the Union message. Your 1985 budget proposes a five-point program for dealing with acid rain under existing law, not with new law, but under existing law.

Let me ask you each one of these five, whether they are funded or not. One, research and development to determine when and if acid rain is a problem. Has there been a decision made to fund that?

Mr. RUCKELSHAUS. Mr. Chairman, the answer is "Yes." We have funded all of these acid rain research areas. I can supply for the committee a breakdown of our acid rain research program so you can see what it all is we are funding and what sequence.

Senator LEAHY. Then under the second point you have an advanced warning system to monitor the effects on lakes and the land of acid deposits over the next 5 to 6 years. Has that been funded?

Mr. RUCKELSHAUS. Yes, it is being funded and put in place. The national transit network and the advanced monitoring network is being put in place. We have, in fact, increased the number of monitoring stations that we intend to have in place by the end of fiscal year 1985.

Senator LEAHY. The third proposal made to OMB was for policy formation to fund an effort to develop legislation for a regulatory program to control acid rain. Was that funded?

Mr. RUCKELSHAUS. Well, we are doing that. I can't specify exactly where that money was. But certainly we have a very active program for doing just that.

Senator LEAHY. Acid rain control planning, to fund an effort by regional EPA offices to help States develop a regulatory framework to control acid rain. Also, to improve the inventory of nitrogen pollutants so regulations could be tightened. Was that funded?

Mr. RUCKELSHAUS. Yes, we have what we call a star program which is aimed at doing precisely that underway right now, Senator. That is why I assumed it was funded. But Mr. Alm tells me in the budgetary submission itself the money may not have shown up on that line.

Senator LEAHY. I understood that OMB denied the money for that.

Let me ask you another one, another proposal made on State acid rain controls, to provide the funds to State air pollution control agencies to review compliance with sulfur dioxide and nitrogen pollutants to determine how much it could be reduced. Was that funded?

Mr. RUCKELSHAUS. I guess that was not funded, Senator.

Let me explain something, Senator. The acid rain research budget was based on a report submitted to the Agency by the so-called Deutsch Committee. We asked John Deutsch, who had been an Under Secretary of the Department of Energy in the previous administration, who is now at MIT, to review with a group of scientists our research program across the entire government and make some recommendations for change. He made some recommendations late last year, early this year, for organizational and budgetary changes that were incorporated into the administration's budget. In fact, the request he made or the recommendation he made was precisely what we funded. As a result, some of the specific requests we had earlier made to OMB were not part of his recommendation and fell out of their budgetary review.

It is his belief and that of his committee that we are expanding this budget under his recommendation about as fast as we can, about as fast as is prudent. It is based on those recommendations that this budget was submitted to Congress.

REAUTHORIZATION OF LEGISLATION

Senator LEAHY. I see.

In your confirmation hearing you said that:

> I would hope working with Congress to create for the country a more effective legal framework to attain our environmental goals.

Since your confirmation, committees in the House and Senate have either reported or actively worked on legislation for acid rain, hazardous waste, and Superfund, and the Agriculture Committee, on which I serve, is supposed to move on pesticide legislation when the administration submits a bill.

Has the administration submitted legislation in any one of those four areas: Acid rain, hazardous waste, Superfund, or pesticide legislation?

Mr. RUCKELSHAUS. No, and I have testified on all of those proposed reauthorizations, Senator, and we have worked with the committees on every one of those laws. As I testified when I was confirmed, the question of whether or not we would come forward with a comprehensive bill on any of those very much depended on assessment by me as to whether or not that would move the whole process forward. In many instances I have become convinced that this does not necessarily move it forward but only sometimes further polarizes things.

But in testifying before the committee, in all of these areas that you mentioned, and in suggesting what our sense of it is, our belief is, and a willingness to work with the committee in devising legislative changes, I think that is precisely what I suggested I would do during my confirmation hearings.

Senator LEAHY. Let's take the one I am most familiar with. I am on the authorizing committee for the pesticide legislation. I spent nearly 2 years back a number of years ago, back with Senator Lugar, having hearings around the country and months and months of hearings here. We spent a long time to put together FIFRA legislation to get through the Senate initially.

I am now on the committee where we will have to do this again. I am looking at some of the problems there. The activities which permit industries to use pesticides without any real protections have increased: registration standards, data call-in. They are all static. Old chemical reviews are down by about 50 percent. The emergency exemption reviews have increased by 67 percent. And we see the EDB debacle.

I mean is this really a case where the Congress is without the kind of expertise that you would have and all should have to plan to come up with legislation to correct all these problems, or is this something where indeed it is more valid to assume the administration would come in with a concrete written proposal?

Mr. RUCKELSHAUS. I don't think it is possible for the Congress, certainly working without the administration's help and cooperation, to come up with a bill that really makes sense to address some of the problems you suggest, nor are we suggesting that it should. I testified last November in front of the House Committee on Agriculture on a comprehensive oversight of FIFRA, and as a result of that testimony they reauthorized—the law has been sent to the next Congress—until next September. I just sent a letter to the chairman of the House subcommittee and chairman of the committee itself indicating what steps we are taking to try to address some of the questions you asked administratively.

We have formed a committee of environmental groups, consumer groups, users and producers of pesticides, all of whom have agreed that some of the administrative changes that can be made ought to be made, and they would like to participate in the review of those.

I am also going to go over with those groups what legislative changes they think are possible and see if we can't produce a set of recommendations around which a much greater group of people can coalesce.

One of the problems, at least as I have perceived it, in moving legislation on FIFRA and some of the other environmental laws is that polarization that has taken place over the last couple of years has become so severe that they all get deadlocked. One of the things I am trying to do is to reduce that polarization, pull these various groups together, find out in what areas they agree, in what areas we agree with them and can push forward, and narrow those areas of disagreement so that that is where the debate takes place in the Congress.

I think that is going to take some time. I think it is going to take some effort on our part to make sure that we have all of those views firmly in mind, and we can come to the Congress then with a much better understanding of where all of the various groups stand and what makes sense in our view in terms of suggested amendments to those laws.

Senator LEAHY. But you don't see the administration coming to the Congress with legislation in any one of those bills, major legislation, in any one of those fields this year, do you?

Mr. RUCKELSHAUS. It could be possible we would do so in some of those areas. At this point, I just testified last week on Superfund and suggested that the schedule we were on was precisely the one the Congress had laid out in section 301 of the bill; namely, that we go through a comprehensive review of all aspects of the Superfund law and make recommendations to the Congress.

Senator LEAHY. I understand. I am sorry, I didn't mean to cut you off.

I just think realistically, looking at the schedule, we have some of these very important things like school prayer up here that might make it impossible for us to take care of THE health of our people on pollution matters. But as a practical matter, we look at the amount of time before the Congress has both party conventions, elections and so on, do you really see any probability that the administration is going to deal with major legislation in the areas I have outlined this year?

Mr. RUCKELSHAUS. Only if I could convince the administration there was a strong likelihood that our submitting a comprehensive proposal would result in action by the Congress that would reauthorize these laws consistent with public interest. As I suggest, one of the problems that I have seen is that situation simply doesn't exist in many of these laws.

When I returned here, 9 of the 10 laws we administer had lapsed. There was deep division between the administration and the Congress as to what should be done. It had a tendency to lock these laws in place.

What I have been trying to do is to start a dialogue with all the groups and see if we can't narrow the areas of disagreement and push forward. That takes time. This is a difficult year in which to accomplish that, not only because of the timeframe you suggest, but there is something happening in November which makes it more difficult to do that.

Senator LEAHY. I will watch with the calm detachment of a political scientist. [Laughter.]

Senator GARN. As one of those who are not up for reelection. [Laughter.]

ENVIRONMENTAL LAW ENFORCEMENT INITIATIVE

Senator LEAHY. That is the definition of watching with the calm detachment of a political scientist. [Laughter.]

I have only one last question. Before I ask it, I do want to express my appreciation to the chairman who more than any other chairman of any committee I have served on shows a willingness to allow the time for members to get all of their questions in. I appreciate him allowing me way beyond the normal time to go into this. You may not appreciate it as much as I do. [Laughter.]

But I do appreciate it.

My last question is, I am preparing an environmental law enforcement initiative which I think would be more aggressive than the budget you presented. I do that because of my own strong philosophy that these laws become meaningless unless aggressively enforced. Either we have a law on the books we are going to aggressively enforce or, if we don't want to aggressively enforce it, we ought to get rid of it.

What I would like to do is to complete an outline of what activities I want increased. I am not going to suddenly bring this up in the dead of the night as an amendment on the floor. What I will do first is to show you and your staff what I am proposing. In that regard, I would like your assurance that your Agency will cooperate fully in pricing the activities that I am going to suggest. I am not asking you to agree with them, but I am asking simply that if I come in and propose a level of enforcement activities, that your department help me in accurately pricing what those activities are.

Mr. RUCKELSHAUS. We would be glad to do that, Senator. I think that is a reasonable enough request, and we would be glad to do that.

Senator LEAHY. Thank you.

Thank you, Mr. Chairman.

SUPERFUND ACTIVITIES

Senator GARN. Thank you, Senator Leahy.

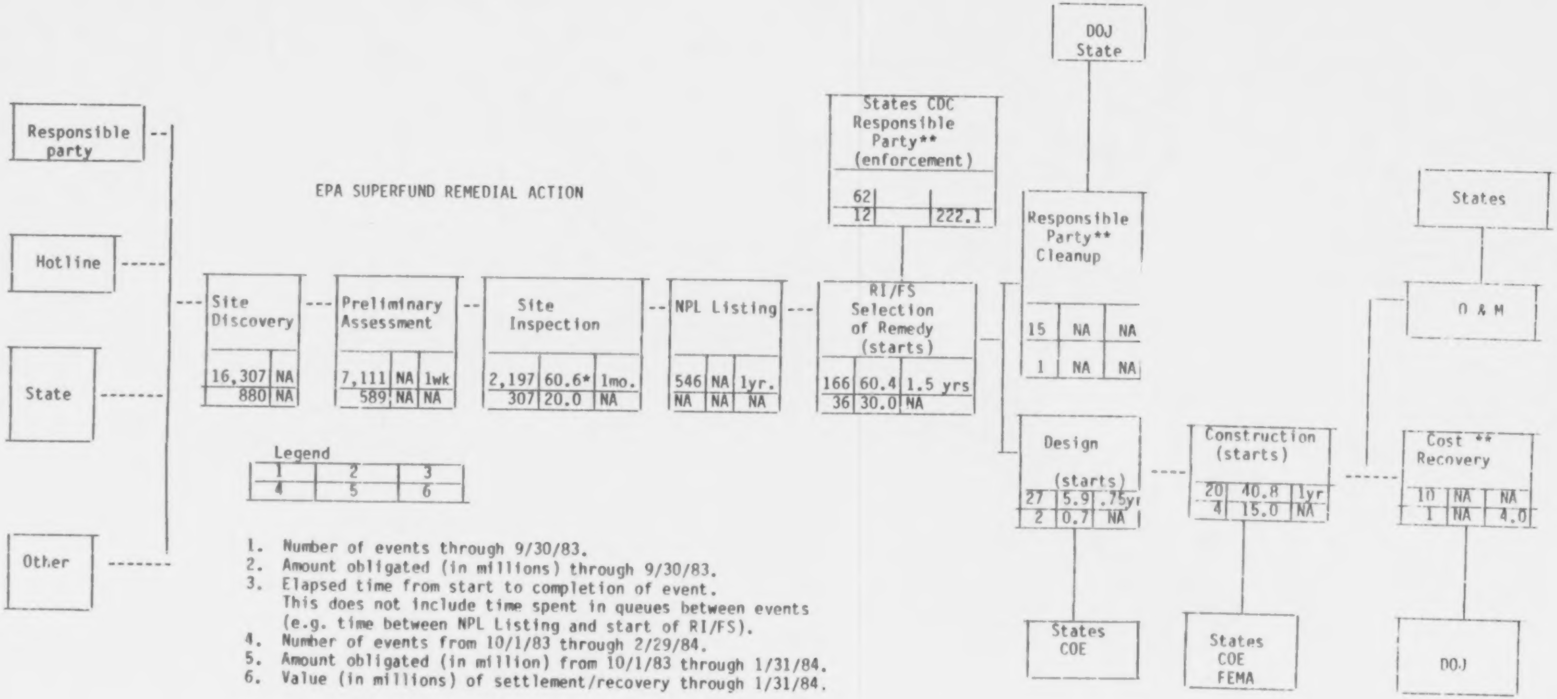
Over the last several weeks, your staff and the subcommittee staff have developed a flow chart of the Superfund activities involved in remedial actions at sites. This chart represents one way of tracking EPA actions from site discovery through selection of a remedy and cost recovery.

Could you please provide for the record the number of sites and the amount of funds obligated and the average time to complete the action for each of these activities since the beginning of Superfund?

Mr. RUCKELSHAUS. Yes, we would be glad to do that, Senator.

[The chart follows:]

EPA SUPERFUND REMEDIAL ACTION



Legend

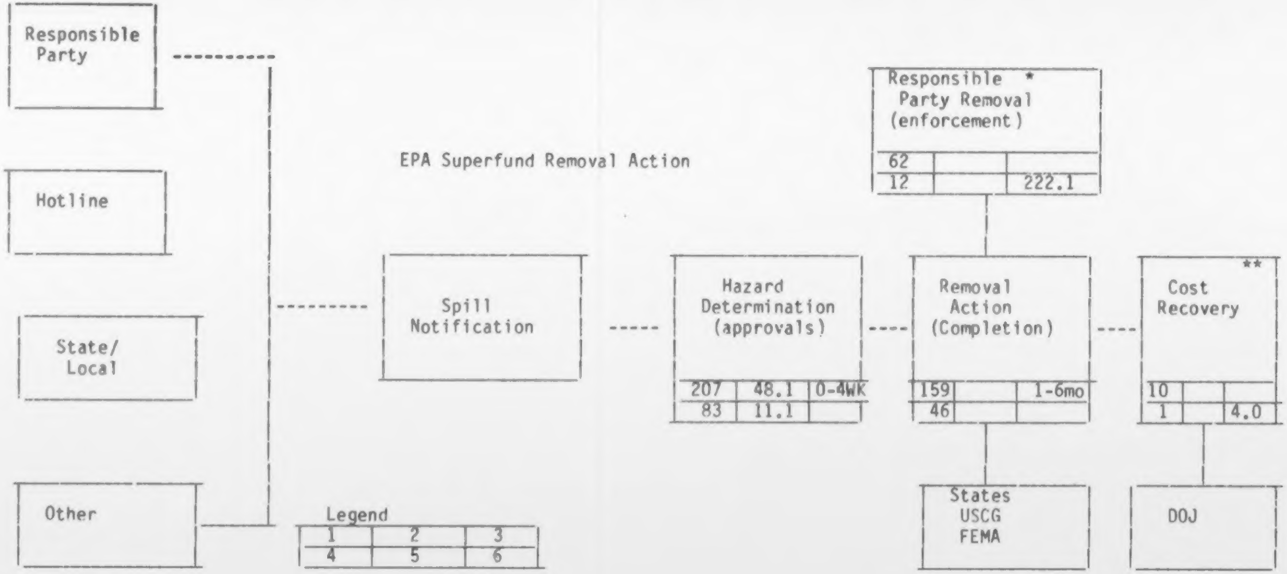
1	2	3
4	5	6

1. Number of events through 9/30/83.
2. Amount obligated (in millions) through 9/30/83.
3. Elapsed time from start to completion of event.
   This does not include time spent in queues between events (e.g. time between NPL Listing and start of RI/FS).
4. Number of events from 10/1/83 through 2/29/84.
5. Amount obligated (in million) from 10/1/83 through 1/31/84.
6. Value (in millions) of settlement/recovery through 1/31/84.

*Reflects obligations for bother preliminary assessments and site inspections.

** Reflects both remedial and removal actions. FY 84 data is for the period ending 1/31/84. Elasped time varies significantly; and "average" figure is meaningful.

EPA Superfund Removal Action



1. Number of events through 9/30/83.
2. Amount obligated (in millions) through 9/30/83.
3. Elapsed time from start to completion of event.
   This does not include time spent in queues between events (e.g. time between completion of Removal Actions and initiation of Cost Recovery.
4. Number of events from 10/1/83 through 2/29/84.
5. Amount obligated (in million) from 10/1/83 through 1/31/84.
6. Value (in millions) of settlement/recovery through 1/31/84.

* Reflects all private-financed remedies; the split between remedial and removal actions is not presently available. FY 84 data is for the period ending 1/31/84. Elapsed time varies significantly; and "average" time is not meaningful.

** Reflects all cost recovery actions; split between remedial and removal actions is not presently available. FY 84 data is for the period ending 1/31/84. Elapsed time varies significantly; and "average" time is not meaningful.

Senator GARN. Would you also provide the subcommittee with quarterly updates of this chart which contains the cumulative information to date and also the activity that occurred during that quarter?

Mr. RUCKELSHAUS. Yes, we would be happy to do that.

MANAGEMENT OF EPA'S RESEARCH PROGRAM

Senator GARN. Your budget justification requests an increase of 14 percent for EPA's research activities. Your justification indicates that you will seek first to improve the management of EPA's research efforts.

I must say, Mr. Ruckelshaus, that you haven't been part of this since I have been chairman of the subcommittee, but that is stated in every justification since I have been chairman of the subcommittee, without exception. It is boilerplate language. EPA has testified that one of its highest priorities in the research program was to improve the management and quality of the program. In fact, the issue was first brought up when Bill Proxmire was chairman of the subcommittee.

I would like to know in that boilerplate language what you specifically have in mind when you say you intend to improve EPA's research efforts. In other words, what I am saying, to be very blunt about it, there is boilerplate language every year, but I don't see anything that changes except the boilerplate language.

What is happening in these activities and why are you including the boilerplate language this year? What do you intend to tell me next year about what has been done?

Mr. RUCKELSHAUS. The first thing that we have done, Mr. Chairman, is to find the best person I could find to be the Assistant Administrator in charge of this. Dr. Bernie Goldstein, who is here with us today, is the result of a several-month search for the best combination of scientist-manager that we could find. I didn't think there was any higher priority in terms of recruiting people than to find the person to run our research program, because both when I was there before and since and now returning I have heard rather constant complaints about the quality of the science and the Agency, about the way in which the research program integrated into the rest of the programs of the Agency. Therefore, getting somebody really very good, highly respected, in the research programs and in the scientific community in general, was a high priority of mine. I think in Dr. Goldstein we have such a person.

We just testified, both of us, last week on our research program and where we are headed. We gave a rather comprehensive overview of the strategies we were following in order to ensure both that short-term needs of the Agency were met, the short-term regulatory needs of the Agency were met, and that that was balanced with a longer range research program aimed at getting answers to some of these questions before they tend to overwhelm us in the crisis of the moment.

In the process of attempting to do that, we have been putting in place management systems to achieve those strategies in the research program that I think if given a chance to work have a high likelihood of succeeding. Dr. Goldstein has now been there in place since about the late fall and has been hard at it. Again, I think if given an opportunity to bring his skills, knowledge and management techniques to bear on our research program, he can make it a more effective part of the Agency and can achieve our overall strategies.

Senator GARN. Let me just say, in followup to what I said, that it has been said every year and then nothing much takes place. It just seems it has to be standard language in there.

What I am going to do is not take your time today to ask you what is actually taking place since that statement was made a year ago. I would like that for the record. Supply for the record what has improved in the management of R&D, because for every other research program that we have under our jurisdiction of this subcommittee, we insist that they have an effective management structure in place first before they get increased funds for it.

I have been rather tough on R&D. I support more R&D. I am very much in favor of it. I think it is one of the most important things we can do. But just requests for more money for R&D without proof of how it is being used is inadequate. EPA is the one that makes the statement every year, asks for increased funds, doesn't show us the increased management for that purpose. I would like to know what has happened in the last year.

I am putting you on notice, because the statement has been made once again, "Improve the management of EPA's research efforts." I am going to put you on notice 1 year in advance. I am going to want a detailed explanation of what management systems have been in place to go with the request for an increase.

I agree with what you are trying to accomplish, but the language, the verbiage, is not meaningful unless I see some proof of that justification year after year.

Mr. RUCKELSHAUS. I think that is fair enough, Mr. Chairman. We will submit in writing what has happened over the last year and certainly bear in mind your admonition about next year.

[The information follows:]

IMPROVING THE MANAGEMENT OF RESEARCH AND DEVELOPMENT

There are several specific improvements in the management of research and development at EPA that have taken place over the last year that I would like to highlight.

First, some improvements in the way we plan research have been implemented as a result of Dr. Goldstein's personal review of the planning process. The 14 research committees, which have shown significant success in tying the Office of Research and Development (ORD) more closely to the regulatory offices, have been consolidated into 5 new committees. The new committees offer benefits by: (1) Promoting more efficient setting of priorities for research needs across all the programs managed by one of the regulatory office Assistant Administrators; (2) promoting agreements on those needs that require a long-term research response; (3) promoting more active involvement of EPA's regional offices in establishing the research agenda; and (4) promoting greater participation of research laboratory staff in developing research plans.

The consolidated committees have already shown a great deal of promise by helping Dr. Goldstein reach consensus with his counterpart Assistant Administrators on the strategic issues that will help shape the research program over the next 1 to 5 years.

Second, a management information system has been put into place which will help clarify the link between the objectives of a planned research response and the products and reports actually produced. This system promotes accountability on the part of ORD management by measuring progress and success on the delivery of key research outputs. ORD management reviews performance in completing key products on a monthly basis.

Third, ORD has recently produced a comprehensive compilation of long-term environmental research issues in its long-range research agenda. This agenda sets forth a wide range of long-term research issues, cutting across media and discipline. The agenda should provide a blueprint for integrating the exploratory research grants and centers program with the rest of the ORD research program. This should ultimately strengthen ORD's ability to foresee and respond to both the Agency's long-term and short-term research needs.

Finally, it should be noted that continuing to improve the management of the research program is a legitimate priority in an imperfect and changing environment. Since efforts to improve the management of R&D will continue, I daresay some mention of this might reappear in next year's budget request. We will, however, be careful to avoid having this sound like a vacuous, boilerplate statement by backing it up with some specific evidence of improvement. We are preparing a more detailed response to the chairman's comment and will forward to the committee when it is completed.

SUBMITTED QUESTIONS

Senator GARN. I have some good news and bad news for you. The good news is I have no more oral questions for you, but I do have 73 pages of questions [laughter] for your response in writing.

[The following questions were not asked at the hearing but were submitted to the Agency for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT (SUPERFUND)

Question: It has been stated numerous times that the $1.6 billion Superfund will not be adequate to respond to the large number of sites requiring cleanup. Last year, you estimated that only 170 Superfund financed remedial action projects would be completed during the life of the Fund, although you have already published a National Priorities List of 546 sites eligible for cleanup under the Superfund program.

Are you still estimating that only 170 Superfund-financed remedial action projects will be completed during the life of the Fund?

Answer: It would be possible to complete 170 Superfund-financed remedial action projects with the $1.6 billion provided by the Fund. Our budget proposal, however, assumes that the Fund will be reauthorized. Consequently, in order to sustain program momentum and meet the Administration's commitment to progress as rapidly as possible at as many sites as possible, our strategy is to initiate additional projects with the resources that would otherwise be used to complete ongoing work. These projects will be completed in 1986 and later, after the Fund is reauthorized.

We currently project that we will initiate approximately 395 remedial planning actions resulting in 83 Fund-financed actions and 86 privately-financed actions through 1985. This compares with 220 planning actions, 170 Fund-financed remedial actions and 170 privately-financed projects if reauthorization had not been assumed.

Question: The Superfund tax is due to expire on September 30, 1985, or when $1.38 billion has been collected, which ever occurs first. What has been the average monthly income to the Fund over the last six months?

Answer: During the six-month period from August 1983 to January 1984, $129.0 million was collected from excise taxes. This is an average of $21.5 million per month.

Also, during the same six-month period, $44.0 million was received from the General Fund, $44.5 million was credited to the Fund from interest income, and $0.9 million was received from cost recovery actions. Total income to the Fund over the six-month period was $218.4 million, or an average of $36.4 million per month.

Question: What is the current estimate of the total Superfund taxes to be credited to the Fund by September 30, 1985?

Answer: Tax receipts through the end of 1983 were $602.1 million. We currently anticipate receiving an additional $264.0 million during 1984 and $276.0 million in 1985. Total tax receipts through 1985 are estimated to be $1,142.1 million.

Question: What are the current estimates of the unobligated balance that will exist on September 30, 1984?

Answer: We currently project that there will be an unappropriated, and thus unobligated, Trust Fund balance of $244.6 million on September 30, 1984. In addition, we project an unobligated balance of $7.9 million from appropriated funds. The total unobligated balance is projected to be $252.5 million.

Our fiscal year 1985 Budget Request assumes the use of almost all prior year unobligated balances. We project a $1.6 million unappropriated balance in the Trust Fund and a $5.5 million unobligated balance in appropriated funds at the end of fiscal year 1985. The latter amount is required for normal accounting adjustments in subsequent years.

Question: The Superfund budget for 1983 was approved at $210 million with $10 million of hte amount earmarked to carry out the State hazardous Waste Site Inventory provision of Section 3012 of RCRA. This $10 million earmarking was the result of a Senate initiative.

How much of the $10 million has been actually transferred to the States to date?

Answer: Of the $10 million budgeted for the RCRA Section 3012 program, $9,955,000 has been distributed to the States. The $45,000 undistributed breaks down as follows:

$10,000	Unclaimed by Oklahoma
30,000	Unobligated to Rhode Island*
1,000	Unclaimed by Nevada
4,000	Undistributed in initial allocation
$45,000	

* $10,000 of this amount will be awarded in the near future; Rhode Island has not requested a full allotment.

Question: When the Superfund legislation was debated in 1980, mechanisms for compensating victims of toxic substances incidents were also discussed. The final legislation, however, excluded any provisions for a victim compensation system. The legislation did provide for a study, which was released in September 1982, to assess the adequacy of existing law in providing legal redress to victims of hazardous substances exposure. Since then, other groups have commented on ways to address the toxic substances victim compensation issue and various legislative proposals have been introduced in both the House and the Senate.

What is EPA's position on the toxic substances/victim compensation issue?

Answer: The Administration is actively reviewing the many questions raised by victims compensation proposals. The effort is being coordinated by a Cabinet Council Working Group, in which EPA is a major participant. The Group includes a dozen Federal agencies because so many cross-cutting policy considerations and programs are involved. All agencies are making important contributions to this effort.

Victims compensation is an extraordinarily complex issue involving not merely environmental policy, but also health issues, potentially fundamental changes to our legal system, income maintenance questions, crucial economic issues, important fiscal considerations, and basic questions of social equity. In addition, it is necessary to examine whether it is good policy to compensate victims of only one of the many types of exposure to hazardous substances. Singling out claimants with some connection to a hazardous waste site for special treatment raises questions of fairness and precedent. Piecemeal attempts to ameliorate the situation, while appealing, end up being inequitable.

Given scarce resources, there is no assurance that governmental funds or mechanisms will be adequate to compensate all deserving claimants. Any Federal approach must consider the effects of private and governmental insurance programs as well as possible reforms in existing tort remedies. Finally, we believe that it may not be possible to devote the careful and detailed deliberations required of the victims compensation issue if it is subsumed within the debate over Superfund reauthorization.

SUPERFUND ACTIVITIES

Question: In your submission to OMB, you requested $752,812,000 for Superfund activities during fiscal year 1985.

How many additional removal and remedial actions might have been conducted during 1985 had this additional $112.8 million been provided?

Answer: The $752.8 million request to the Office of Management and Budget (OMB) was intended to support 170 removal actions and 50 remedial actions (constructions). The $640.0 million request to Congress will support essentially the same number of removal and remedial actions. The $112.8 million decrease from the OMB budget request is associated primarily with dioxin-related work. The amount of such work required for 1985 was not clearly known at the time of the submission to OMB.

We have continued both to refine our estimates of dioxin-related workload and to define how best to address the problem posed by dioxin contamination. We have also encouraged potentially responsible parties to initiate action themselves. We have decided to subject dioxin sites to the same criteria as that required for other Superfund response actions. This has led us to reduce our 1985 estimates of potential workload and resource requirements related to dioxin.

Given these policy and management decisions, the budget request of $640 million represents our best estimate, at this time, of the number of sites where we will be able to proceed. Additional funding may not result in additional actions during the year because of such factors as the States' abilities to proceed and provide their 10 percent cost share for remedial actions and the requirement that preceding phases of work at sites be completed before design or construction can begin.

Question: The OMB pass back indicates that implementing planning work at an additional 115 sites represents the "optimal" pipeline for EPA.

How was it determined that an additional 115 sites would represent the optimal level of activity?

Answer: There is, admittedly, no single number of remedial planning starts that in itself represents an "optimal" level. For 1985, the remedial program is maturing to the point where significant increases in design and construction work will occur. Assuming enactment of the 1984 supplemental request, design starts increase by 70 percent to 68 sites and construction starts increase by 170 percent to 46 sites.

The 115 planning starts represent a level of activity that the program has actually managed in the past it was not part of the OMB passback. Given the need to devote increased resources to the management of design and construction activities, it was decided to maintain planning starts at a level which actual experience has shown can be effectively managed.

Question: Your budget justification indicates that you will also provide assistance to States in developing enforcement cases and legal capabilities.

What are you doing in this area at the present time and what additional activities do you intend to undertake during 1985?

Answer: Overall improvement in the involvement of States and coordination of State-Federal activities is one of the most important objectives of the Superfund program. State assistance in the enforcement portion of the program is provided in two basic areas: provision of guidance, and technical assistance.

Currently, copies of policy statements and guidance documents are provided to States for their use, as appropriate, in their particular situations. In addition, technical assistance is provided to the States in the form of review of technical documents and studies, consultation on technical and legal issues arising in State enforcement activities, expert witness testimony, analytic support, and other similar activities.

Consistent with the comprehensive policy being developed to guide the EPA/State relationship in Superfund enforcement, considerable effort will be made during the latter part of 1984 and throughout 1985 to increase the level of cooperation and coordination between EPA and the States on both Federal- and State-enforcement lead site activities. This effort will include joint planning, information sharing, and greater State participation in Superfund policy development. This emphasis is reflected in our 1985 budget request for the enforcement program which contains an increase of approximately 14 workyears of effort devoted solely to State support.

SUPERFUND WORK INDICATORS

Question: On December 9, 1983, you forwarded to the Subcommittee the October "18 item report." This report, prepared at my request, provided a "snap shot" of your activities on Superfund for each month. A review of that report shows no enforcement action, no engineering design activities, no remedial measures taken, no cooperative agreements signed, no private-financed remedies, etc. for the month of October. How is it possible that we can have a program funded at over $400 million annually and have no noticeable activity during the first month of 1984?

Answer: To conclude that no enforcement action was taken during the month of October would be a misinterpretation of our report. As shown in the October report, 12 negotiations were started and two were concluded during the month. Morever, and more importantly, although there were few "new starts", much work remained underway during the month. Negotiations were ongoing at 100 sites, and the enforcement program continued work involving private-financed remedies, cost recovery actions, state-enforcement lead actions, and other areas. Finally, this report is more useful for discerning trends than for measuring progress during any one month. The reports for October 1983 through January 1984, when reviewed together, show significant progress in most areas of the enforcement program.

Concerning removal and remedial activities, as shown in the report, 11 removal actions were initiated and 2 were completed during October. In addition, as is also shown in the report, the program continued work on 57 removal actions during the month. As is the case concerning enforcement activities, it may be misleading to draw conclusions from a single month's report. The reports from October 1983 through January 1984 indicate that the program initiated 17 remedial investigation/feasibility study actions, 1 remedial design, 4 remedial constructions, and 2 initial remedial measures. The reports covering that period also show that 14 cooperative agreements and 4 State contracts were signed.

SUPERFUND SUPPLEMENTAL

Question: You are requesting a supplemental request of $50 million for the Superfund program in 1984. Your budget justification indicates that these funds will support increased site investigations, designs, and constructions.

In 1984, we provided $410 million for your Superfund activities. How much of your 1984 funds have been obligated to date? Why do you feel it is necessary to request an additional $50 million at this time?

Answer: As of February 29, 1984, EPA had obligated $125.8 million during 1984. Additionally, as of January 31, 1984, other Federal agencies had obligated $22.5 million during 1984. This total of $148.3 million represents over 36 percent of the $410.0 million appropriated for 1984. Through February 29, 1984, we have also committed an additional $44.2 million which has not yet been obligated. At the end of February 1983, only about 15 percent of the 1983 appropriation of $210.0 million had been obligated.

As a result of the various policy changes we had made, we decided early in fiscal year 1984 to conduct a comprehensive State-by-State review of projects that could be ready for action in 1984. We decided that we could support a level of 115 remedial investigations/feasibility studies, the same level as we had done in fiscal year 1983 and as we were projecting for fiscal year 1985. We also identified more design and construction projects that would be ready for action.

We feel that an additional $50.0 million is essential if we are to maintain the program momentum that we have developed. Our obligation rate, especially when compared to prior years, supports our need.

ACCURACY OF INTERNAL REPORTING DATA

Question: At last year's hearing, I cited an Inspector General's report relating to EPA's internal tracking system. The report concludes that although EPA employees reported that 90% of certain environmental reviews were completed on time, the actual figure was 25%. The audit report also found that only 35 of EPA's 74 reviews of major Federal actions or 47% were completed on time. Of course, these allegations cast serious doubt on the value of your management reporting systems.

Since you have joined the Agency, Mr. Ruckelshaus, have you reviewed this report, and what actions have you taken to make sure that your management information systems is providing accurate data?

Answer: The reporting inaccuracies you refer to were among the reasons I found it necessary to make substantial changes in the management of the Office of Federal Activities. The second thing I did was to make it perfectly clear that I expect the public's business to be conducted above board and in the most straightforward manner at EPA--rebuilding the public trust has been our first order of business.

The specific problem you mentioned is not, fundamentally, a "system" problem. As I am sure you realize, the Inspector General (who investigated this matter) is a key element in my internal review and management systems. The Inspector General's report is evidence that the systems are working. Nevertheless, we have also tightened up Agency management: To supplement the accountability system, the Deputy Administrator now visits each Regional office twice a year to conduct in-depth program reviews. He also meets biweekly with the Assistant Administrators and key senior staff to track the progress of a wide range of Headquarters activities. As a check on accuracy, part of the responsibility of the staff that runs the management system is to conduct quality checks where they have reason to believe such problems exist. I am confident that the systems are working well, and that any serious problem will be brought to my attention, as indeed it was in the case you mentioned.

CLEAN LAKES GRANTS

Question: Last year, the Congress provided you $5 million for your Clean Lakes Grants Program. Your 1984 budget contained no money for this program.

How do you intend to spend the $5 million provided in 1984?

Answer: In 1984, the Agency is allocating $5 million for completing existing Clean Lakes projects. The funds provided will be used for existing lake restoration projects as per Congressional instructions. Existing projects have been defined by the Clean Lakes Program as: 1) ongoing implementation projects (Phase II) which need additional funds for completion of lake restoration; and 2) Clean Lakes projects which have completed the diagnostic/feasibility study (Phase I) and are requesting funds to complete lake restoration (Phase II) activities. Completion of existing projects is our highest priority in selection of projects to be awarded.

Question: How many projects funded in 1984 will not be completed with the expenditure of those funds?

Answer: Final selections have not been made on all projects. However, the Agency expects to award approximately 23 grants for lake restoration activities in 1984. This figure is an update from the number included in the Congressional budget. Of the 23 grants, it is estimated that 14 projects will not be completed with the 1984 funds.

Question: Your 1985 budget contains a request of $2.5 million for the Clean Lakes program. How many projects do you expect will receive funding during 1985?

Answer: In 1985, the Agency expects to award approximately 12 grants for improving conditions in publicly owned freshwater lakes.

Question: What policy do you intend to pursue relative to the use of this $2.5 million -- will you use it to complete projects that have been previously started or will you use it to initiate new Phase I studies?

Answer: In 1985, the Agency expects to continue the 1984 policy for funding Clean Lakes projects as described above. The Agency will provide funds to complete existing projects which need additional Federal assistance to restore the water quality of freshwater lakes. No new Clean Lakes projects will be funded in 1985.

PESTICIDE PROGRAM HIGHLIGHTS

Question: EPA intends to exempt selected types of pesticide products from full review procedures.

What criteria will EPA use in order to determine which pesticides should be exempt from a full review?

Answer: Although the Agency has not promulgated regulations defining the criteria to be used in determining pesticides for exemption from full review, our general guidelines for making this determination are based on public health and human safety factors. In the August, 1983, final rule exempting certain types of pheromones from Section 3 registration requirements, EPA determined that the toxicity of pheromones in general, as well as the level of potential exposure to man and the environment resulting from the exempted uses, was very low. Their continued regulation was determined not to be warranted in view of the low potential risk. Furthermore, the Agency determined that products containing pheromone attractants were relatively safe. They had no detectable harmful effects on public health or the environment.

The Agency is currently considering the following as possible criteria for determining which products may be exempted.

1. Products whose active ingredient(s) appear on the Food and Drug Administration generally-regarded-as-safe (GRAS) list and are common ingredients in foodstuffs.

2. Products whose toxicity is so low that occurrence of exposure high enough to cause harm to non-target organisms is highly improbable or whose ingredients are naturally occurring and whose use does not substantially increase exposure or risk.

3. Products which are adequately regulated by another Federal Agency.

4. Products presenting minimal hazards which can be reduced to reasonable levels through label controls.

Question: One of your 1985 priorities will be to further reduce the registration processing backlog.

Senator Garn—Continued

How many new registration applications and amended applications were pending in 1981, 1982, 1983 and 1984 to date?

Answer: The following figures indicate the end of fiscal year backlogs for the actions indicated.

	(As of 2/84) FY 84	9/30/83 (EOY) FY 83	9/30/82 (EOY) FY 82	9/30/81 (EOY) FY 81
New Chemical Applications	30	20	3	12
New Biologicals	0	0	0	0
Old Chemicals	42	18	12	397
Amendments	158	65	6	167
New Uses	43	39	N/A	N/A
Emergency Exemptions	6	3	8	4
Experimental Use Permits	49	33	5	30
Temporary Tolerances	35	19	7	16
Special Local Needs	2	1	1	51
Tolerances	62	34	26	111
Inert Ingredients	0	0	1	13

Question: Last year, you listed a set of goals for the processing of these applications during 1984.

What criteria have been established to prioritize the processing of these applications?

Answer: The Office of Pesticide Programs (OPP) has in operation a priority system which ranks various applications according to certain criteria. Based on these criteria (seasonal, public health or quarantine issues, integrated pest management impact, minor use, resubmission, estimated less than four hour review time), a projected completion date is determined. These dates are then tracked not only for completion of scientific review, but also for completion of the overall regulatory review. OPP has established targets for each application category and routinely monitors actual program accomplishments against the target. In those cases where completions are overdue, thus creating a backlog, efforts to eliminate the backlog are monitored closely by OPP and Agency management levels to hasten the completion of those actions. Minimizing or eliminating backlogs has been and will continue to be one of our important tasks.

Question: Last year, you incidated your intent to assess fees or other charges for direct Agency services provided in registering pesticides.

Have you established such fees, and if so, please describe the fee schedule?

Senator Garn—Continued

Answer: Final fees have not yet been determined. Development of the regulation is in the development plan phase now. Nevertheless, the Office of Pesticide Programs (OPP) has prepared a rough estimate of the magnitude of the fees using the 1983 OPP unit costs as the fee basis. The fee for registering a new chemical would be on the order of $120,000 to $150,000. Other registration activities would have considerably lower fees, ranging down to approximately $500 for an amendment to a registration. Please note that these estimates are based on 1983 OPP unit costs only. Non-OPP costs, such as Agency overhead, have not been included and their inclusion would increase the fees. In addition, the changes to the unit costs caused by the court decisions could also have a substantial impact on some of the fees e.g., old chemicals and amendments. The development plan anticipates that a Notice of Proposed Rulemaking will be issued in February, 1985.

GROUND WATER MONITORING ACTIVITIES

Question: On September 21, 1983, GAO issued an interim report on inspection, enforcement and permitting activities at hazardous waste facilities. I was particulary interested in the interaction between Federal standards or requirements and State level activities.

For instance, none of the four States GAO reviewed required their inspectors to evaluate in detail the adequacy of a facility's closure and postclosure plans or cost estimates. GAO concluded that these states lacked adequate Federal guidance on how to perform the evaluations, had limited inspection resources, or had not yet adopted financial responsibility requirements.

Why was it that adequate Federal guidance was not available to these States on how to evaluate closure plans?

Answer: Federal guidance documents for review of closure plans are available. These documents provide basic guidance for both facility owners and operators as well as regulating agencies. These documents do not provide in-depth guidance for all situations because Interim Status Standards are, for the most part, performance standards; they are not design and operating standards. The standards must be interpreted on a facility-specific basis.

Furthermore, review of closure plans is an integral part of the Agency's Part B application review and approval process. To date, EPA has called in Part B applications from over 2400 facilities.

Question: In another finding, GAO concluded that according to State records, 78% of the facilities (in two of the four States GAO visited) were not in compliance with Federal ground water monitoring requirements. The other two States did not know the extent of non-compliance because most of their facilities have not been inspected for compliance with these requirements.

Senator Garn—Continued

What recommendations do you have to address this apparently serious lack of compliance at the State level?

Answer: Current guidance states that all major facilities and generators/transporters (i.e., incineration and land disposal facilities, facilities subject to ground water monitoring requirements, and others of special environmental interest or concern) will be inspected each year. At major facilities, this inspection must evaluate for adequacy the closure and post-closure plans and cost estimates, the financial instruments, and the ground water monitoring systems. Appropriate enforcement actions are to be initiated in the case of any violations. The Agency has also imposed new reporting requirements to track the status of inspections, enforcement actions, and follow-up at these priority sites. We are in the process of revising our data base (Hazardous Waste Data Management System (HWDMS)) to allow us to monitor how well facilities nationally or on a State-specific basis are progressing.

In addition to these requirements for major facilities and generators/transporters, we require that 25 percent of all non-major facilities and 10 percent of all non-major generators/transporters be inspected each year. We do not presently, however, track inspections and compliance on these as we do with majors.

ASBESTOS VIOLATIONS

Question: Last week, you fined a New Hampshire school district $24,000 for allegedly failing to report asbestos in its buildings. This represents the first time that the EPA has used its enforcement powers under a 1982 rule that required school districts to inspect their buildings and report their findings to parents and school employees.

Does your recent action in New Hampshire indicate that EPA is going to take a more active role in enforcement of the inspection and reporting requirements?

Answer: Yes. With an increase in available resources in 1984, and with a further increase included in the 1985 budget request, EPA is now in a position to devote a significant degree of activity toward enforcement of the rule.

It is important to note that the enforcement action taken with regard to the New Hampshire school district is not the first time EPA has used its enforcement powers under the 1982 rule. It is the first time that EPA has issued a civil administrative complaint under the rule. However, since the rule first became enforceable in June 1983, EPA has issued 221 notices of non-compliance, which do not include fines.

Question: I understand that a recent Agency survey found that two-thirds of the school districts either did not conduct asbestos inspections or did not report or keep records on the asbestos they found.

What resources will be devoted to asbestos inspections and enforcement in 1985?

Answer: The 1985 budget request includes about 30 Federal workyears for asbestos-in-schools inspections and related case development. In addition, the 1985 request includes $1 million for contractor inspections under the asbestos-in-schools program.

Question: Given the apparent magnitude of non-compliance, how much in the way of additional resources could be effectively utilized in 1985?

Answer: EPA's current strategy in regard to the asbestos-in-schools rule is to conduct compliance inspections over a two-year period (1984-1985) in enough school districts so as to assure coverage of at least 50% of the nation's student population. With the resources available in 1984 and requested for 1985, EPA believes it will have sufficient resources to accomplish that goal.

The additional inspections will help us assess the degree to which asbestos is a potential hazard in schools. We hope that over time as we conduct more inspections the overall non-compliance rate will drop.

ACID RAIN RESEARCH

Question: Your 1985 budget requests a major increase of resources to support EPA's Acid Rain Research Program. The Agency's research in this area will increase from $15.4 million in 1984 to $34.4 million in 1985. In addition to the increases proposed for 1985, the Agency is requesting a 1984 supplemental for acid rain of $5.5 million. This money will be used to fund the National Lakes Survey. I understand this survey will involve approximately 3,000 lakes and will be used to establish baseline data on the status of lake chemistry throughout the United States.

Why is it necessary to begin this lake survey in 1984 rather than wait until the 1985 budget is enacted?

Answer: It is necessary to begin this Lake Survey in 1984 rather than wait until the 1985 budget is enacted because the information is crucial for the 1985 assessment report to Congress by the National Acid Precipitation Research Program.

Question: How will the 3,000 lakes contained in this survey be selected?

Answer: A statistically sound sampling design will be used to satisfy the objectives of the National Lakes Survey. Approximately 4 percent of the lakes in regions of the United States that are potentially sensitive to acid precipitation (i.e., the Eastern U.S. and the mountainous regions of the West), will be sampled. Prior to initiation of sampling, the sampling protocol will be thoroughly peer reviewed.

Question: What will be the annual costs to update the National Lakes Survey?

Answer: The National Lakes Survey will be conducted in three phases. Phase I is a onetime survey designed to establish baseline data concerning the current acidic status of lake chemistry throughout the United States. After the Phase I process of sampling about 2,500 lakes (i.e., the $5.5 million supplemental request), about 500 lakes will be selected for follow-up monitoring on a seasonal basis (Phase II). In Phase III about 100 lakes will become long-term ecological monitoring sites in which aquatic chemistry, biota, and other factors will be measured intensively and the results analyzed. The estimated costs of Phase II and Phase III of the National Lakes Survey are $3 million annually.

WHITE HOUSE STUDY ON ACID RAIN

Question: During the summer, the Office of Science and Technology Policy issued a report on acid rain. In this report, the scientists called for immediate but cost-effective steps to reduce sulfur emissions. The members of the panel went on to say that if "we must wait until the scientific knowledge is definitive, the accumulated deposition and damaged environment may reach the point of 'irreversibility'."

How do you respond to these conclusions in light of EPA's apparent focus on research and monitoring rather than emission controls?

Answer: The Administrator and the staff at the Environmental Protection Agency have met with a large number of members of the scientific community on this issue from last summer through now. No consensus on this issue appeared to exist. Our analysis leads us to the observations which appeared in the Administrator's statement before the Committee on Environment and Public Works of the United States Senate on February 2, 1984:

> "Our knowledge of trends in the number of water bodies becoming acidic is even thinner. Recent data shows a number of lakes having low pH and high sulfate concentrations. Most scientists believe that condition to be the result of acid deposition. We have other data which identify a number of acidified lakes in areas of high acid deposition. These data show a number of other lakes with low alkalinity measurements. But we do not have any long-term data to indicate how the present chemistry of these lakes was established, or over what time period.
>
> Obviously whether we are dealing with a rapidly deteriorating situation or a decades-long phenomenon is important in deciding what to do."

The conclusion of the scientific analysis was that there was no evidence that catastrophic effects from acid deposition were likely to occur in the near future (5-10 years). For this reason the Administrator concluded his statement to the Senate Committee with the following remarks:

> "Finally, we must understand that delaying a control strategy decision to gain better information involves the question of whether we are dealing with an emergency or a phenomenon that can be addressed over a longer period of time.
>
> Obviously if we have more time to reduce precursor emissions, it can be done with less expense and social disruption to the country.
>
> Our research effort and our caution in recommending a control strategy are aimed at both the questions of trends and expense. If we find the trends are gradual or, under the "direct response" theory, stable with regard to the lakes, that will suggest one course of action. If not, then we may need to act faster and with less knowledge of causes and effects and of the advanced technology necessary to hold down the expense and disruption of a large control program.
>
> We are working hard to understand the trends. With a national monitoring system in place, we will no longer be in the dark as to what is happening and how fast."

INCREASE IN EPA PROGRAMS

Question: Several weeks ago, the Subcommittee requested that you perform an analysis of each of EPA's 210 budget elements to determine how many of those are proposed to be increased in 1985, how many would be decreased, and how many would remain unchanged. The analysis indicated that 153, or 73 percent, or the 210 elements would be increased if the 1985 budget, as proposed is enacted. This compares to a 48 percent increase in program elements in the 1984 Budget.

Answer: Yes, that is correct.

WATER QUALITY

Question: Last year, I questioned you about the backlog of water quality permits. At that time, you established a set of goals for 1983 and 1984 in terms of the number of pollution discharge permits issued.

You stated that in 1983, you expected to issue 274 major industrial permits, 102 major municipal permits and 26 general permits. What did you actually accomplish in 1983?

Senator Garn—Continued

Answer: The following is a summary of NPDES permits issued by EPA during 1983:

Majors	
Municipal	125
Industrial	381
Minors	
Municipal	337
Industrial	1,357
General	6

Question: Similarly, you established goals of 300, 181 and 58 water quality permits in 1984. Will you be able to achieve these levels of permitting in 1984?

Answer: At the present time we expect to exceed the abovementioned goals for major permit issuance during 1984. Our targets for 1984 which have been updated since the submission of the Congressional budget include the following:

Major	
Industrial	384
Municipal	202
General	38

Question: What has been the status of the backlog over the last three years--has it been growing or decreasing?

Answer: The table on the following page presents a summary of expired permits for the last three years:

As shown in the table, the total number of EPA permits (current and expired) has decreased over the years as additional States receive NPDES program approval or as facilities, that at one time filed an NPDES permit application, are no longer in need of a permit.

Between 1982 and 1983, both EPA and NPDES State major permit backlog relative to the total of major permits increased, primarily because of the low number of permits issued during 1982. However, between 1983 and 1984, this backlog was significantly reduced. The number of minor permits backlogged for both EPA and NPDES States seemed to remain constant over the three years. Relative to the total number of minor permittees, the backlog of minors may have increased slightly.

It should be noted that EPA has issued a significant number of minor permits while awaiting promulgation of effluent guidelines or between issuance of major permits. Additionally, the issuance of general permits has assisted in reducing the number of backlogged minor facilities.

Question: Could you provide for the record your permit issuance goals for 1985?

Senator Garn—Continued

Answer: Our goal in 1985 is to issue the remaining backlogged major permits. At the time we did the 1985 budget, the permit issuance targets were as follows:

Majors	
Municipals	300
Industrials	450
General	60

These targets may change depending on the number of permits issued during 1984 and/or the number of variance requests that are requested during 1984 and 1985.

SUMMARY OF BACKLOGGED NPDES PERMITS (1982 - 1984)

	January 1982	January 1983	February 1984
EPA			
Majors			
Municipal	200	200	200
Industrial	1,100	900	500
Sub-total Expired	1,300	1,100	700
Total # of Majors	2,800	2,200	2,000
Minors			
Municipal	1,900	1,700	1,600
Industrial	6,500	4,500	4,000
Sub-total Expired	8,400	6,200	5,600
Total # of Minors	14,200	11,500	8,200
NPDES States			
Majors			
Municipal	700	700	700
Industrial	1,700	2,000	1,400
Sub-total Expired	2,400	2,700	2,100
Total # of Majors	5,200	5,500	5,400
Minors			
Municipal	3,200	4,400	3,900
Industrial	15,100	17,000	18,000
Sub-total Expired	18,300	21,400	21,900
Total # of Minors	42,800	46,500	49,200
TOTALS			
Majors			
Municipal	900	900	900
Industrial	2,800	2,900	1,900
Sub-total Expired	3,700	3,800	2,800
Total # of Majors	8,000	7,700	7,400
Minors			
Municipal	5,100	6,100	5,500
Industrial	21,600	21,500	22,000
Sub-total Expired	26,700	27,600	27,500
Total # of Minors	57,000	58,000	57,400

RESOURCE CONSERVATION AND RECOVERY ACT

Question: Grant Funding to the States for RCRA Subtitle D activities was ended in FY 81. The primary justification for this action was a belief that State programs for solid waste management activities would be self-supporting and self-reliant beginning in FY 82. One of the principal activities funded under these State Subtitle D grants was the Open Dump Inventory--a listing of environmentally unacceptable land disposal facilities requiring either upgrading or closing. An acceptable facility was classified as a sanitary landfill.

Was the third Open Dump Inventory published as expected in May 1983?

Answer: Yes. The Agency published the open dump inventory as planned in May 1983.

Question: What has been accomplished as a result of the publication of the open dump inventories?

Answer: Since 1981, 446 open dumps have been closed or upgraded.

Question: How many additional open dump inventories does EPA expect to publish?

Answer: The Agency plans to update the inventory every year to incorporate changes submitted by the States.

Question: How much do you estimate the States are spending on Subtitle D type activities and how does this compare to your estimate of the investment needed?

Answer: The Agency does not have a current estimate of how much the States are spending on Subtitle D type activities. In February, the Association of State and Territorial Solid Waste Management Officials (ASTSWMO) began a survey of the States to identify State expenditures or allocations for Subtitle D type activities from 1981 to 1984. To date, 39 States have responded to this survey. ASTSWMO will provide a preliminary presentation of their findings at the April 4, 1984 ASTSWMO conference in Baltimore, MD. We will provide a copy of this preliminary presentation to the Subcommittee when we receive it.

HAZARDOUS WASTE PROGRAM

Question: This year you are requesting $18.3 million for the implementation of the RCRA program. This is an increase of $2.1 million over the FY 84 level. The increase will be devoted to the processing of permits for new and/or expanded facilities and facilities which pose a severe threat to public health and the environment. In the past, your budget justifications have indicated that this permitting effort is a relatively short-lived Federal responsibility and that the States would quickly assume the responsibility of operating their own Hazardous Waste Programs.

What progress have the States made since last year to assume this responsibility?

Answer: The Agency's current estimate indicates that 37 States will be granted final authorization by January 1985. The Agency anticipates that 40 States will be granted final authorization by the end of 1985. Since April 1983, EPA has awarded Phase I interim authorization to 8 states, Phase II A & B interim authorization to 11 states, Phase II C interim authorzation to 13 states. One state, Delaware, has final authorization.

Question: At last year's hearing, you estimated that by January 1985, 45 States would be granted final authorization to run their programs. Would you like to revise your estimate at this time? How will these decreases in States affect your permitting schedule?

Answer: Previous estimates were overly ambitious primarily because State actions to amend and adopt regulations and to seek legislative changes took longer than anticipated. EPA has initiated efforts to aid the States in upgrading their program and applying for final authorization.

The Agency does not believe that the slower rate of authorization will affect the permitting schedule. The Agency will continue to work jointly with the States under Cooperative Arrangements to achieve final authorization. Where States are not authorized to issue RCRA permits, these arrangements provide for State-Federal cooperation and consultation to optimize the use of both parties' resources as EPA retains permitting responsibility.

CONSTRUCTION GRANTS

Question: This year you are requesting a total of $2.4 billion for your Construction Grants Program. Your justification indicates that these funds wil allow EPA to award a total of 650 grants. How does this level of activity compare to our estimates for 1983?

Answer: In 1983, EPA awarded 809 grants and obligated $3.7 billion. In 1985 we anticipate making 650 grants and obligating $2.7 billion.

Question: How many active projects will you have at the end of 1984 and at the end of 1985?

Answer: We estimate 6,328 active projects at the end of 1984 and 4,711 active projects at the end of 1985.

Question: You estimated that 1,060 projects are expected to complete construction in 1985.

How many of these completed projects will receive a final inspection from EPA or the Corps of Engineers in 1985?

Answer: All completed projects will receive a final inspection by the Corps of Engineers or the States. The Corps of Engineers is expected to conduct 695 final inspections and the States the remainder.

Question: What water quality monitoring activities does EPA intend to undertake during 1984 and 1985 in order to determine the extent to which the completed plants are operating up to their design standards?

Answer: Two approaches will be used to assure municipal waste water treatment facilities meet their design standards. On-site compliance inspections will be conducted at more than 1,000 plants in both 1984 and 1985. These inspections are designed to verify the reliability of plant self-monitoring data to assure that these reports reflect actual operating conditions. Many of the inspections will include sampling and analysis of the plant's discharges. EPA will also conduct diagnostic inspections at approximately 100 additional facilities in 1984 to see if design standards are being met and, if not, to identify the problems limiting performance. When problems are identified, the plants are ordered to take corrective action on their own.

Question: Will EPA review the data from the engineering firms that are required to oversee a project's first year of operation in order to assure that the plants are meeting their design and permit specifications?

Answer: EPA is encouraging grantees to see that the engineers providing operational services during the one year performance period document the project's daily operations by monitoring discharge quality of the project, assist the operators, and periodically brief the grantee on the operational status of the project. At the conclusion of this one year period, the engineer is required to advise the grantee whether the project performance standards are met and the grantee must in turn certify to EPA. These performance standards include design criteria and effluent requirements specific to the project. When the project is a non-discharging facility (i.e. interceptor or pumping station), the performance standard is only design criterion . On the other hand, performance standards for a discharging project (i.e. treatment plant) are composed of design criteria and effluent requirements. State personnel receive Federal funds to perform oversight inspections during the later phases of a one year performance period to confirm the grantee's certification results. If the grantee cannot affirmatively certify the project they must submit to EPA a corrective action report with a schedule that implements corrective action. None of this remedial activity may be supported with Federal funds.

Senator Garn—Continued

MANAGEMENT ACCOUNTABILITY SYSTEM

Question: In a June 4, 1981 letter to EPA, I requested that you develop a Permit Tracking System. On December 8, 1981, you forwarded a draft report on the development of such a system. The report concludes that the implementation of such a system would provide a valuable management tool for resource allocation and would serve to highlight poor performance. This is the kind of management improvement that, I believe, can really increase the productivity of an agency. Reports are now being issued on a quarterly basis under the title of Administrator's Management Accountability System.

In 1982, you established a series of goals to be targeted for special attention in the accountability system. One of those goals was "reduce Agency backlogs."

What is the status of your current permitting, waiver and approval backlog in comparison to a year ago?

Answer: By tracking the Agency's permitting activities we have been able to show some real progress in this area. For example, consider these statistics on the issuance of National Pollutant Discharge Elimination System (NPDES) permits:

° We exceeded our 1983 target for reissuing backlogged non-municipal permits by 10%.

° Our backlog at the close of the first quarter of 1984 is 53% of what it was at that time last year.

° We plan to eliminate the non-municipal backlog by the end of 1985.

° We started tracking the municipal backlog for the first time in this year's management and accountability system and plan to eliminate that backlog by the end of 1985.

We are also making progress issuing Resource Conservation and Recovery Act (RCRA) permits. Over the past year, there has been a considerable increase in the number of permits issued for the handling and storage of hazardous waste.

° At the end of the second quarter of 1983, only 10 permits had been issued since the inception of the program in 1982.

° By the end of the fourth quarter of 1983, 38 permits had been issued and 2 denied.

° During the first quarter of 1984, EPA and the States issued 34 permits and denied 34 permits, bringing the totals to 115 permits issued and 36 permits denied.

Most of the permit actvity to date has centered on storage and treatment facilities. Now that EPA and the States have gained experience in the RCRA permit process, EPA is shifting its focus to those facilities where there are the greatest potential environmental risks, i.e., land disposal and incinerator facilities.

Question: I expected that one of the results of instituting a reporting system would be to identify "bottlenecks" in the processing of permits.

Last year I asked you to identify the steps in the review process requiring the longest processing time and what actions EPA had taken to reduce the time associated with each of these "bottlenecks." At that hearing, you stated that as the system is used, you will be in a better position to locate specific problems in permitting.

What have you found since last year?

Answer: As you know, the largest permit backlog we face is in the hazardous waste (RCRA) program. This year we are reviewing the RCRA permit program and will initiate procedural and management changes as appropriate. Some of the new elements of the national RCRA permit program being considered are:

- Development and implementation of individual State permit strategies.
- Acceleration of land disposal and incinerator call-ins.
- Special management tracking of permit applications for targeted facilities.
- Close coordination between enforcement and permitting activities.
- Development and implementation of facility specific public participation plans.

Question: You also noted that there was a "tremendous amount of variability" from one EPA Region to another.

Have you looked at this problem again and if so, what have you concluded?

Answer: The question of Regional variability is a complex one, reflecting many factors that can affect program success: the difference in basic workload, competing priorities within the Regions, the degree we have delegated permitting to the States and the success of the States in issuing permits. Our conclusion at this point is that Regional variability is best addressed by clear management direction from the top and appropriate follow up to ensure consistency across the national program.

MARINE PROTECTION PROGRAM

Question: You indicate that EPA intends to implement a user fee system for the disposal of wastes at sea. Was legislation enacted to set such a system in place?

Answer: On November 10, 1983, Congress introduced H.R. 4364 concerning user fees for ocean dumping. This amendment directs the Administrator to prescribe fees sufficient to recover costs incurred associated with the issuance of permits, site designation, the determination of compliance with permit terms and the assessment of the direct effects of the dumping.

Question: What fee structure is currently under study at EPA and how would the collected fees be used?

Answer: On March 15, 1983 EPA proposed to Congress a user fee system designed to recover the direct costs of the Federal government's ocean dumping program from the industrial and municipal users of these services. The user fee system is composed of two separate fees. The first fee recoups permit processing costs. The Agency would charge all permit applicants a uniform fee covering the costs of permit processing reflecting the average cost (approximately $8,000) of processing a permit. Application processing includes review of information submitted by the applicant, public notices, possible public hearings, permit issuance or denial, and in some instances judicial review. Permit processing fees are authorized by the Marine Protection Research and Sanctuaries Act (MPRSA). EPA regulations waive the fee for municipal dischargers. These fees are not kept by EPA but forwarded to a central U.S. Treasury account.

The second fee system, currently not authorized by MPRSA, would recoup costs the Agency, the Army Corps of Engineers and the U.S. Coast Guard incur through site designation, program operation and monitoring of some ocean dumping programs. The total yearly program costs could be allocated among the permittees on the basis of tonnage of waste transported for ocean dumping.

Question: What activities does EPA intend to undertake during 1984 and 1985 to develop a better scientific understanding of the use of the ocean as a waste management alternative?

Answer: EPA's ocean dumping research program is designed to provide information or techniques to support the ocean dumping permit program. In 1984 and 1985 emphasis is given to the development/verification of waste evaluation procedures, hazard assessment techniques and monitoring techniques. The ocean dumping permit program needs screening tests, e.g. bioassays, that can be used to evaluate wastes proposed for ocean dumping. Although some screening procedures exist, there is a need to revise these procedures to simplify them and make them more accurate and cost-effective. In addition, the results of the screening tests must be related to impacts observed at dumpsites. Hazardous assessment procedures will provide the manager with predictive methodology, complete with decision criteria, integration and interpretive guidance which can be used to make a judgement on risk. Dumpsite monitoring procedures are necessary to evaluate the long term impact of ocean dumping actions and for verifying predictions made using a hazard assessment.

Question: What research question remains to be answered and what resources are being devoted to these issues in 1984 and 1985.

Answer: There are many questions which must be addressed by research. In 1984 and 1985 EPA's ocean dumping research program is focusing on questions dealing with waste evaluation, predictive hazard assessment techniques and dumpsite monitoring. The following table shows the resources ($ in thousands) dedicated to these areas:

	1984	1985
Waste evaluation	$280.0	$85.0
Hazard assessment	1,750.0	1,900.0
Dumpsite monitoring	375.0	405.0
	$2,405.0	$2,390.0

CONSTRUCTION GRANTS FUNDING IN NEW YORK

Question: Last Year, I questioned you about the fact that New York has $292 million in carryover balances brought forward into FY 83 in the Construction Grants Program and also has about $2 billion in unexpended balances.

What is the current status of the unobligated balance in New York?

Answer: At the end of FY 1983, the State of New York had $60.5 million in carryover balances brought forward into FY 1984.

Question: Please provide a State-by-State breakout of the unobligated and unexpended balances for FY 83 and FY 84.

Answer: The following is a State-by-State breakout of the unobligated and unexpended balances at the end of FY 1983 and projections for the end of FY 1984.

Construction Grants Program
Unobligated and Unexpended Funds ($ Million)

	EOY FY 83		Projected EOY FY 84	
	UNOB [1]	UNEX [2]	UNOB	UNEX
TOTALS	$1,125	$9,298	$ 925	$9,398
REGION I				
Connecticut	4	122	5	114
Maine	6	49	9	46
Massachusetts	21	321	21	329
New Hampshire	10	59	9	64
Rhode Island	6	48	1	53
Vermont	9	26	6	27
REGION II				
New Jersey	12	459	4	415
New York	60	1,688	73	1,699
Puerto Rico	34	170	37	162
Virgin Islands	9	6	2	14
REGION III				
Delaware	13	61	8	60
Maryland	108	323	102	310
Pennsylvania	59	384	32	423
Virginia	7	137	4	151
West Virginia	24	181	7	208
District of Columbia	13	89	16	97
REGION IV				
Alabama	7	84	9	74
Florida	31	272	44	261
Georgia	9	186	10	182
Kentucky	14	114	21	99
Mississippi	25	65	22	66
North Carolina	10	149	14	140
South Carolina	23	79	31	73
Tennessee	14	90	17	97
REGION V				
Illinois	66	404	17	428
Indiana	64	193	44	227
Michigan	117	276	53	367
Minnesota	10	137	3	138
Ohio	78	623	27	652
Wisconsin	42	83	8	166
REGION VI				
Arkansas	1	66	3	61
Louisiana	10	142	15	126
New Mexico	1	34	3	25
Oklahoma	4	82	10	73
Texas	31	387	20	386

[1] Both Unobligated and Unexpended Funds include 92-500 authority and subsequent appropriations only

[2] Unexpended Funds for EOY FY 1983 reflect updated figures developed since the submission of the President's Budget

Senator Garn—Continued

	EOY FY 83		Projected EOY FY 84	
	UNOB 1	UNEX 2	UNOB	UNEX
REGION VII				
Iowa	5	91	9	88
Kansas	3	67	7	54
Missouri	12	201	11	192
Nebraska	7	27	7	29
REGION VIII				
Colorado	9	49	14	40
Montana	4	36	6	35
North Dakota	8	26	10	24
South Dakota	3	27	9	21
Utah	1	34	3	31
Wyoming	7	28	5	26
REGION IX				
Arizona	8	27	5	28
California	42	765	71	658
Hawaii	17	62	5	80
Nevada	9	31	3	37
American Samoa	1	5	1	7
Tr.Terr.of Pac.Islds.	3	17	3	12
Guam	1	13	0	15
REGION X				
Alaska	8	43	9	48
Idaho	2	20	3	20
Oregon	8	59	8	66
Washington	15	81	29	74
Pre-92-500 Funds Not Identified by State		155		155

1 Both Unobligated and Unexpended Funds include 92-500 authority and subsequent appropriations only

2 Unexpended Funds for EOY FY 1983 reflect updated figures developed since the submission of the President's Budget

SUPERFUND MISSION CONTRACTS

Question: Please provide, for the record, a description of the large mission contractors working under the Superfund program, the work to be performed and the funds involved.

What percent of the total contract costs will be for studies, planning and analysis versus cleanup?

Answer: Attached is a list of the major mission contractors working for the Superfund response program. The list shows the period of performance for the contract, the funding, and the scope of the work. The last column gives the percentage of the work that is for site-specific and cleanup activities. Except for the two program implementation and analysis contracts, generally 85 to 90 percent of the contractors' work is site-specific in nature. The program implementation and analysis contracts represent approximately two percent of current annual mission contract costs in the response program.

Senator Garn—Continued

Additional contract support is provided for technical enforcement activities through the Technical Enforcement Support (TES) contract. The TES contract is the major mission support contract in the technical enforcement program; it provides case-specific enforcement investigations and litigation support. Approximately $7.3 million will be committed under the TES contract in fiscal year 1984. This represents approximately 70 percent of total contract support ($10.8 million). Of the remaining Funds, $3.0 million will be committed under various contracts for additional enforcement investigations and litigation support. Program and analytic support contracts will receive $0.5 million. This represents approximately five percent of total mission contract funding requirements in the technical enforcement program.

SUPERFUND MISSION CONTRACTS

Contract	Funding		Scope	Percentage of work that is cleanup
Technical Assistance Team (TAT)	10/1/82 - 9/30/84 Base 1 10/1/84 - 9/30/85 Opt. 2 10/1/85 - 9/30/86 Opt.	21,470,840 9,093,299 9,444,332 40,008,471	Provides technical and management support to assist OSCs in implementing the environmental emergency response and prevention program during emergency situations at hazardous waste sites or spills where a sudden release of oil or hazardous substances pose a threat to human health, the environment or real or personal property	85
Hazardous Site Remedial Response (REM/FIT) (Zone I)	10/1/82 - 9/30/84 Base 1 10/1/84 - 9/30/85 Opt. 2 10/1/85 - 9/30/86 Opt.	42,106,000 16,061,000 16,521,000 74,688,000	Provides technical support to EPA & Regions in performance of preliminary assessments site inspection, remedial investigation/feasibility studies of uncontrolled hazardous waste sites.	87
Hazardous Site Remedial Response (REM/FIT) (Zone II)	(Same as Zone I)	48,867,000 19,753,000 20,310,000 88,930,000	(Same as Zone I except Regions V-X)	87
Emergency Response Cleanup Services (ERCS) (Zone I)	2/1/84 - 1/31/85 2/1/85 - 1/31/86 2/1/86 - 1/31/87	22,041,511 22,042,250 22,060,091 66,143,852	Provides cleanup equipment, materials and personnel to conduct immediate and planned removals for Regions I - III.	97
Emergency Response Cleanup Services (ERCS) (Zone II)	12/1/83 - 11/30/84 Base 12/1/84 - 11/30/85 12/1/85 - 11/30/86	8,855,907 8,846,084 8,866,856 26,568,847	Same as Zone I except Region IV	95
Emergency Response Cleanup Services (ERCS) (Zone III)	2/1/84 - 1/31/85 Base 2/1/85 - 1/31/86 2/1/86 - 1/31/87	12,478,896 12,452,225 12,465,346 37,396,467	Same as Zone I except Region V	97
Emergency Response Cleanup Services (ERCS) (Zone IV)	12/1/83 - 11/30/84 Base 12/1/84 - 11/30/85 12/1/85 - 11/30/86	18,625,031 18,558,413 18,575,493 55,758,937	Same as Zone I except Regions VI - X	97
Support for Superfund Implementation and Evaluation	1/1/84 - 9/30/84 Min. 10/1/84 - 9/30/85 10/1/85 - 9/30/86	2,200,000 (NTE $8.6M for life of	Provides management and technical services to support planning, implementation, and evaluation of the Superfund program.	0

RADIATION RESEARCH

Question: What specific activity does EPA propose to undertake during 1985 relative to the disposal of low level radioactive waste?

Answer: During 1985, the Agency will address the problems of disposal of low level radioactive waste in three separate projects. Final standards for shallow land burial of low level waste will be promulgated in 1985 under the authority of the Atomic Energy Act. These standards will set maximum public exposure limits, (limits on contamination of ground water and of public drinking water) and establish a related exposure level "below regulatory concern."

Development of standards for residual radioactivity levels at decommissioned nuclear facilities will continue in 1985. This project, also conducted under the environmental standards authority of the Atomic Energy Act, will result in the proposal of standards in 1986.

The Agency is continuing to develop criteria for the evaluation of permit applications to dispose of low level radioactive wastes in the ocean, as mandated by the Marine Protection, Research, and Sanctuaries Act. The current moratorium on such applications expires in 1985. Criteria will address siting, monitoring, packaging, and other requirements associated with the ocean disposal of wastes. The Agency will continue to serve a key role in international negotiations on ocean disposal requirements, including the London Dumping Convention. The Agency will also continue a survey of seafood samples taken from areas adjacent to formerly used ocean disposal sites to provide continuing assurance that the radioactive elements in those wastes are not entering the food chain.

Question: What additional scientific information is necessary in order to make a decision as to the safe disposal of low level radioactive waste in the oceans?

Answer: The January 1983 amendments to the Ocean Dumping Act specify several requirements for scientific information that must be considered in evaluating a permit request for ocean disposal of radioactive materials. The required information has to be provided by the permit applicant in a site-specific Radioactive Material Disposal Impact Assessment. This would include specific information on the waste, environmental impacts at the proposed site, effects of failed containers, a plan for removal or containment of containers if they leak, an assessment of consistency with the Coastal Zone Management Program, an economic impact assessment, alternatives to the ocean disposal, and a monitoring plan.

TRAVEL BUDGET

Question: Please prepare a consolidated Agencywide travel budget for 1983, 1984 and 1985 by media.

Answer:

	1983 Actuals	1984 Current Estimates	1985 President's Budget
Air	$ 2,206.5	$ 2,471.4	$ 2,716.4
Water Quality	3,152.6	3,459.5	3,731.5
Drinking Water	746.7	994.3	1,179.4
Hazardous Waste	1,035.8	1,433.4	1,460.3
Pesticides	413.6	632.7	712.4
Radiation	174.5	167.2	229.9
Interdisciplinary	694.4	968.0	1,132.9
General	11.0	0.0	0.0
Toxic Substances	766.6	894.3	1,007.5
New Facilities	0.0	0.0	50.0
Energy	248.0	185.0	234.7
Repairs & Improvements	25.5	40.0	50.0
Program Management	433.4	565.7	563.1
Agency Management	1,756.4	2,281.5	2,155.2
Regional Management	874.4	933.6	964.7
Support Costs	521.7	715.5	707.0
Superfund	2,600.6	4,586.3	6,504.7
TOTAL	$15,661.7	$20,328.4	$23,399.7

USE OF VARIABLE EFFLUENT LIMITS FOR ADVANCED WASTEWATER TREATMENT PROJECTS

Question: In December 1982, GAO issued a report concerning the potential cost saving achievable through the use of variable effluent limits (VEL's). VEL's allow levels of treatment to vary depending on the season and/or stream flow while maintaining water quality standards. Do you agree with GAO's conclusion that VEL's could significantly reduce plant operating costs while still maintaining water quality standards?

Answer: We agree with GAO's conclusion that VEL's could significantly reduce plant operating costs while still maintaining water quality standards. Headquarters review experience for advanced treatment (AT) projects has shown that use of VEL's could, in many cases, either avoid unnecessary AT procsses or reduce the size of AT facilities.

Question: GAO recommended that EPA issue a directive pointing out the possible cost saving of using VEL's and encouraging States to use them to the extent possible when issuing initial or reissuing expired permits. EPA should also work with and provide any needed technical assistance on using VEL's to the States. What is EPA doing to implement these GAO recommendations?

Answer: Over the past several years, EPA has strongly encouraged the States to develop VEL's when appropriate. The Agency has taken several principal actions to promote the use of VEL's. First, in the 1976 draft Guidance for Point Source Wasteload Allocations, EPA recommended that seasonally adjusted variable wasteload allocations for certain point sources be considered. Second, in a joint memorandum and in a draft Program Guidance on Wasteload Allocations and Total Maximum Daily Loads (both of which were distributed to the Regions in 1981), EPA strongly encouraged the States to develop seasonal wasteload allocations where feasible. Third, the Agency's current and soon-to-be revised policy on the review of advanced treatment (AT) projects by Headquarters, Regions and delegated States requires that seasonal treatment requirements be adequately evaluated in establishing AT requirements. This requirement is a result of Headquarters review of over 80 projects. We have often recommended that AT facilities and capacities be based on meeting only seasonal requirements. This has resulted in deferral of a significant amount of AT costs.

Last, the Agency is developing technical guidance on wasteload allocations for use by Regions and States in establishing VEL's when issuing or reissuing National Pollutant Discharge Elimination System (NPDES) permits. Also, Headquarters has developed, and will soon issue to the Regions and States, an AT handbook that describes the issues related to AT processes and water quality analyses. States may develop VEL's on their own initiative, or dischargers may retain engineering consulants to obtain necessary water quality and treatment plant operational data and, using mathematical models, develop proposed VEL's for submission with their permit applications. These proposed limits and their supporting data are reviewed by the States and, when appropriate, incorported into permits with any necessary modifications. EPA's role in States which have assumed the NPDES program includes providing program guidance and other technical assistance and monitoring their performance.

GREAT LAKES PROGRAM

Question: The Senate's 1983 Appropriations Committee Report referenced needed changes in the management of the Great Lakes Program. To some extent, the report reflected the findings of a GAO study released around the same time. The Senate report stated: "The Committee expects EPA to provide the management, focus and visibility to this program that it needs in order to effectively address the problems of the Great Lakes. The Committee expects EPA to report back with suggested changes to the program on March 1, 1983."

On March 10, 1983, I received a copy of a memorandum dated February 4. This memo seemed to address some of the issues raised in the Committee report.

Senator Garn—Continued

As I noted in last year's hearing, the memo stated that: "There is an immediate need to correct the inadequate coordination between and among HQ, the Great Lakes National Program Office, the Regional Offices, other federal agencies, States and the Canadian interests. There is a lack of basic agency-wide structure for EPA's Great Lakes activities."

What structural or personnel changes have you undertaken to address this problem?

Answer: The Office of Water Regulations and Standards has been assigned responsibilities for improving intra-agency and inter-agency coordination of the Great Lakes Program activities. To date, this effort has included:

- Representation of the program in the Agency's annual budget development processes at the Agency, OMB and Congressional levels to ensure that Great Lakes related needs and activities are adequately understood and funded.

- Inclusion of appropriate Great Lakes program elements in the Agency's Operating Guidance for 1985-1986, the Administrator's Strategic Planning and Management System for 1985-1986, and the Office of Water Evaluation Guide for 1985.

- Assembly and dissemination of information on Great Lakes problems, programs and accomplishments to the Great Lakes community, Congress, Federal agencies and the Canadian government.

- Review and concurrence in the Great Lakes National Program Office's (GLNPO) work program for 1984 and 1985.

- Work closely with the Office of Research and Development to ensure that Great Lakes research needs, as identified by GLNPO and the Great Lakes Science Advisory Board, are included in the five year research programs for the Duluth Environmental Research Laboratory and the Grosse Ile Large Lake Research Station.

Question: The memo also concludes that: "The Great Lakes International Surveillance Program needs to be more focused on the identified problem areas to realize maximum effectiveness. To use resources more effectively, monitoring activities of the various governmental entities must be more coordinated. It was found that monitoring and research activities are highly interdependent and must be closely interrelated."

What changes have been implemented to better coordinate these activities?

Answer: The Great Lakes National Program Office (GLNPO) has developed a second draft and is proceeding with the completion of a Great Lakes Monitoring Strategy which addresses identified concerns about monitoring coordination. GLNPO is also a participant in the initial discussions of the Great Lakes Research Coordinating Committee regarding inclusion of monitoring related elements in the five year research programs for Duluth and Grosse Ile. OWRS is assisting in the improvement of Monitoring/Research coordination by providing for the full interchange of draft monitoring and research strategies, work programs, and information between and among GLNPO and Office of Research and Development and the Monitoring and Data Support Division of OWRS.

Question: What level of resources do you expect to commit monitoring activities in 1984 and 1985?

Answer: The resources of GLNPO committed to monitoring and related activities for 1984 and 1985 are as follows:

	1984	1985
Fish Sampling		
- Contract Resources	$995,000	$995,000
- Workyears	2.5	2.5
Chemical/Open Lakes Monitoring		
- Contract Resources	$1,289,000	-----
- Workyears	2.5	2.5
Atmospheric Deposition Network		
- Contract Resources	$475,000	-----
- Workyears	1.0	1.0
Total Monitoring & Related		
- Contract Resources	$2,759,000	$995,000
- Workyears	6.0	6.0
- % of Total GLNPO Contract Resources	70%	59%
- % of Total GLNPO Workyears	40%	40%

Question: The memo also states that: "EPA headquarters needs closer working relations with the International Joint Commission and its Water Quality Board and Science Advisory Board in order to ensure that the policy and technical recommendations of the Commission and its boards are realistic and implementable." How have you dealt with this issue?

Answer: OWRS representatives have begun to participate as observers at the meetings of the Great Lakes Water Quality Board and the International Joint Commission (IJC). Also, OWRS now receives and reviews, in draft form for both technical content and national policy implications, the various publications/reports of the IJC, the Water Quality Board, and their work groups/task forces. Comments are submitted to the IJC through GLNPO.

Senator Garn—Continued

OCEAN DISPOSAL PERMITS

Question: Based on the City of New York versus EPA lawsuit of 1981, the court overturned the anticipated phase out of ocean disposal of municipal wastes by December 31, 1981. This decision and the subsequent revision in EPA's regulations could result in increased interest in applications by municipalities for ocean dumping permits.

In preparing the 1985 budget request for this function, has EPA considered the potential for an increased number of municipal ocean disposal permits?

Answer: The Agency expects to issue a comprehensive revision to the Ocean Dumping Regulation by January 1985. The Agency has received a large number of inquiries, primarily from municipalities, about the possibility of receiving ocean dumping permits under the new ocean dumping regulation. In 1984 and 1985 the Agency expects an increase in the number of reviews of permit applications as a result of the revised regulation. (In 1983, 11 ocean dumping permits were issued. In 1984 and 1985 we expect to review approximately 25 permit applications each year.) Whether or not permits will be issued in each case cannot be determined at this time.

Question: Are the resources requested adequate if an increase in applications materializes?

Answer: In 1983, 13.1 workyears were allocated for processing and issuing ocean disposal permits. The Agency has anticipated an increase in the number of ocean disposal permit applications in the past few years. Resources will increase in 1984 to 14.4 workyears and will decrease slightly to 12.0 workyears in 1985. These resources will be sufficient to handle an increase in permit applications because we believe the experience gained over the last year has increased our efficiency.

CLEAN AIR MONITORING

Question: In May 1979, you established requirements for ambient air monitoring stations, networks and quality assurance procedures.

How does your current budget request compare to the 1979 requirements in terms of the number of stations for each pollutant?

Answer:

NATIONAL SUMMARY OF AIR MONITORING STATIONS

Pollutant	Required* by 40CFR58	Operating	Percent
Total Suspended Particulates	2,574	2,502	97
Sulfur Dioxide	583	568	97
Nitrogen Dioxide	298	282	95
Carbon Monoxide	450	439	98
Ozone	612	607	99
Lead	371	365	98
TOTAL	4,888	4,763	97

*Funds have been requested in the 1985 budget to satisfy the May 1979 (40CFR58) requirements.

Question: What is the level of funding for air monitoring activities in 1983, 1984 and 1985?

Answer:

RESOURCES FOR AMBIENT AIR QUALITY MONITORING

Fiscal Year	EPA Regional Ambient Monitoring (Workyears)	State Section 105 Grants*
1983	84.4	$16 million
1984	92.5	$17-18 million
1985	92.5	$17-18 million

*Represents estimated Federal (105 Grant) share of State and local air agency resources for ambient air quality monitoring.

FUNDING OF THE DEPARTMENT OF JUSTICE AND HHS THROUGH THE SUPERFUND

Question: As you know, this Subcommittee has taken a strong interest in assuring that adequate funds were provided to the Centers for Disease Control in order that they might fulfill their statutory requirement under the Superfund legislation.

What funding level do you propose for CDC in 1985?

Answer: Our request for 1985 contains $9,495,000 for Department of Health and Human Services (HHS) activities under the Hazardous Substance Response Trust Fund appropriation. Of that amount, $8,920,000 is to support the activities of the Agency for Toxic Substance and Disease Registry (ATSDR). ATSDR was created last year as a separate Agency in the public health service. ATSDR now performs all the functions previously undertaken by CDC.

Question: What was CDC's orginial request to EPA for 1985?

Answer: The 1985 budget request from HHS included $12,327,000 for CDC. The reduced level in the President's budget reflects reductions primarily to funding for disease registries. This reduction was made since a review of the request revealed that the proposed work was not required solely to support Superfund responsibilities. Consequently, such work is more appropriately funded through other appropriations.

Question: What funds do you intend to provide for the Department of Justice during 1985 and how does this level compare to the 1984 level?

Answer: The 1985 budget request for the Department of Justice (DOJ) from the Hazardous Substance Response Trust Fund is $4,822,000. This will support 79 workyears of effort. The 79 workyears include work of attorneys, paralegals, and clerical support staff. The work includes conducting litigation, participating in negotiations, providing legal advice, and assisting with strategy development. The 1985 level represents an increase of 17 workyears and $1,539,600 from the 1984 level of 62 workyears and $3,282,400.

CARBON MONOXIDE CONCENTRATIONS

Question: During the last decade, carbon monoxide concentrations have decreased by more than 40% and particulate matter has declined by about 20% nation-wide.

Could you please prepare, for the record, a graph showing the carbon monoxide concentrations and particulate matter concentrations for each of the last ten years for which data is available?

Answer: See attached graphs.

MAJOR FINDINGS

Total Suspended Particulate (TSP) - Annual average TSP levels measured at 1768 sites decreased 15 percent between 1975 and 1982 (Figure 1-1). This corresponds to a 27 percent decrease in estimated TSP emissions for the same period (Figure 1-2). TSP air quality levels generally do not improve in direct proportion to estimated emissions reductions, because air quality levels are influenced by factors such as natural dust, reintrained street dust, construction activity, etc, which are not included in the emissions estimates. Since 1977, the glass filters used throughout the nation at TSP monitoring sites have been centrally procured by EPA for the State and local agencies in order to obtain uniformity in TSP collection nationwide at reduced cost. The filters used in 1979, 1980 and 1981 were found to record higher values than the filters used in 1978 and 1982, because of higher filter alkalinity, which is related to artifact error.[11] The filters used in 1978 and 1982 were supplied by the same manufacturer and found to be comparable based on similar alkalinity levels. Therefore, although the air quality values for 1979, 1980 and 1981 are probably biased high, the trend between 1978 and 1982 is valid. The air quality improvement between 1978 and 1982 is due not only to reductions in TSP emissions, but also to more favorable meteorology in 1982. An analysis of meteorological conditions for 1982 indicated a potential for lower TSP concentrations due to abnormally high precipitation.

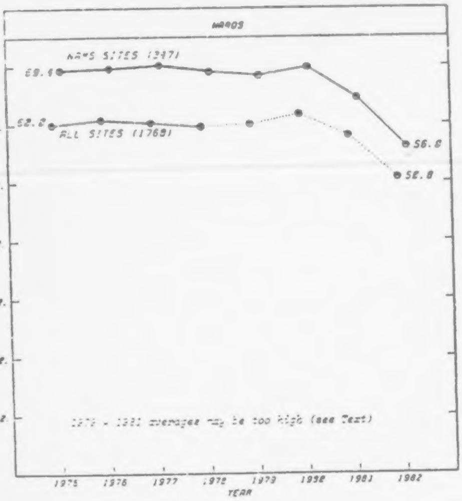


FIGURE 1-1. NATIONAL TREND IN THE COMPOSITE AVERAGE OF THE GEOMETRIC MEAN TOTAL SUSPENDED PARTICULATE AT BOTH NAMS AND ALL SITES, 1975 -1982.

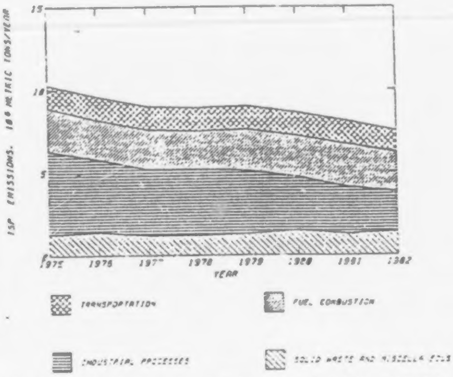


FIGURE 1-2. NATIONAL TREND IN PARTICULATE EMISSIONS, 1975-1982.

Senator Garn—Continued

Carbon Monoxide (CO) - Nationally, the second highest non-overlapping 8-hour average CO levels at 196 sites decreased at a rate of approximatley 5 percent per year, with an overall reduction of 31 percent between 1975 and 1982 (Figure 1-7). An even greater improvement was observed in the estimated number of exceedances, which decreased 87 percent (Figure 1-8). CO emissions decreased 11 percent during the same period (Figure 1-9). Because CO monitors are typically located to identify potential problems, they are likely to be placed in traffic saturated areas that may not experience significant increases in vehicle miles of travel. As a result, the air quality levels at these locations generally improve at a rate faster than the nationwide reduction in emissions.

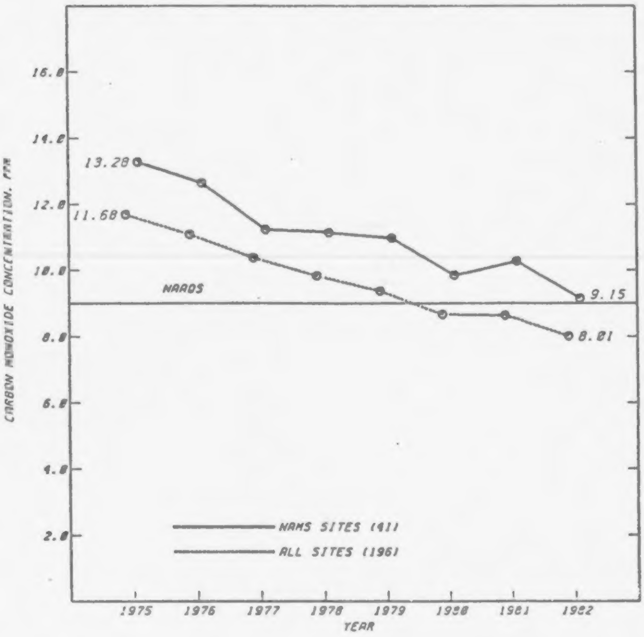


FIGURE 1-7. NATIONAL TREND IN THE COMPOSITE AVERAGE OF THE SECOND HIGHEST NONOVERLAPPING 8-HOUR AVERAGE CARBON MONOXIDE CONCENTRATION AT BOTH NAMS AND ALL SITES, 1975 - 1982.

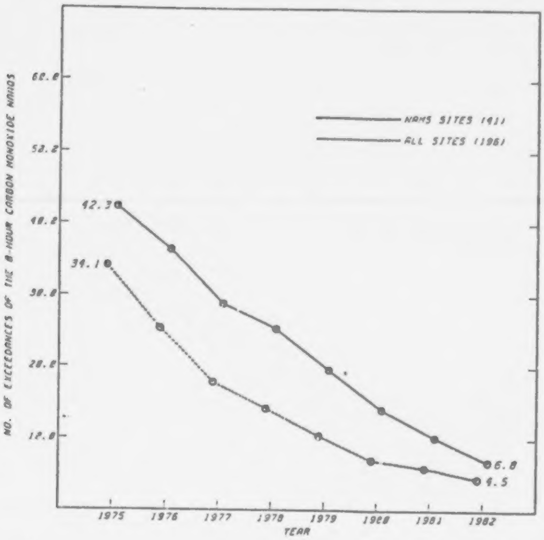


FIGURE 1-8. NATIONAL TREND IN THE COMPOSITE AVERAGE OF THE ESTIMATED NUMBER OF EXCEEDANCES OF THE 8-HOUR CARBON MONOXIDE NAAQS AT BOTH NAMS AND ALL SITES. 1975 - 1982.

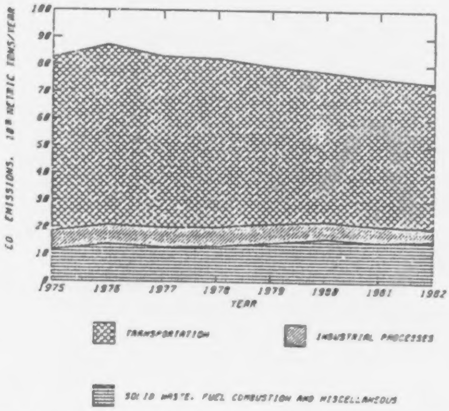


FIGURE 1-9. NATIONAL TREND IN EMISSIONS OF CARBON MONOXIDE. 1975-1982.

RADIATION MONITORING AT THE NEVADA TEST SITE

Question: One of the missions conducted under your Radiation Monitoring System and Quality Assurance Program is the off-site monitoring at the Nevada Test Site. Your budget justification states that the monitoring at this and other sites will, as in the past, be conducted at the request of DOE.

Will DOE continue to reimburse EPA for all of the costs involved?

Answer: Yes. DOE continues to have a requirement for independent health and safety support to monitor and document potential exposure of the general population to radiation on a test-by-test basis.

Question: What resources will be devoted to this program in 1984 and 1985?

Answer: In 1984 and 1985, 61.0 full time equivalents and approximately $3,500,000 will be devoted to the off-site monitoring program at the Nevada test site.

MUNICIPAL WASTEWATER RESEARCH

Question: What specific activities will you undertake during 1985 in order to support the innovative wastewater technologies program and to find better ways to manage sludge?

Answer: The Office of Research and Development will continue to actively support the Construction Grants Innovative and Alternative (I/A) Technology program. Support will consist of technical reviews of plans submitted by States for innovative facilities, post-construction evaluations of operating I/A projects, assessments of emerging technologies, technical assistance to States, municipalities and the Construction Grants Program in the area of small wastewater flows and conduct of regional and state technical information transfer seminars.

New advanced digestion systems using combinations of biological, thermal and chemical processes will be evaluated. The research will also develop/evaluate thermal conversion processes that convert the sludge to gas or oil-based products with a minimum of residue. The research will also emphasize minimizing environmental impacts, energy use and costs associated with sludge management. ORD will provide support for developing the Agency's sludge policies, guidelines and regulations.

Question: What specific manuals or information will result from these activities?

Answer: The I/A activities will result in the following types of reports: up to five assessment reports of emerging technologies, quarterly I/A grant information, and three to five post-construction evaluations of operating I/A construction grant projects.

The activities in sludge management will result in feasibility reports on the engineering design, performance and costs of at least two new advanced digestion and thermal conversion systems. These reports will provide consulting engineers with the required technical information to design full scale facilities applicable to the I/A program. As adequate information becomes available from the performance of full scale plants, appropriate manuals will be produced for technology transfer.

Question: What specific evaluations do you have planned for 1984 and 1985?

Answer: The detailed engineering evaluations of operating I/A projects include technologies involving overland flow, ultraviolet light disinfection of wastewater, on-site treatment systems and pressure sewers, sequencing batch reactors, dual-stage sludge digestion, biological phosphorus removal and counter-current aeration devices. The 1985 sludge research include evaluation on pilot and large scale combinations of multi-stage anaerobic digestion and wet-air oxidation for their mass and volume reducing capabilities.

TRAINING PROGRAMS

Question: Please provide a list of EPA training grants and programs and the funds available for each of these programs in 1981, 1982, 1983, 1984, and 1985.

Answer: (dollars in thousands)	1981 Budget Authority	1982 Budget Authority	1983 Budget Authority	1984 Budget Authority	1985 Budget Request
ACADEMIC TRAINING GRANTS:					
Air	$320.0	$300.0	$310.0	$375.0	0
Water Quality	270.0	169.0	270.0	300.0	0
Drinking Water	233.0	169.0	200.0	200.0	0
Solid Waste (RCRA)	60.0	122.0	35.0	210.0	0
Interdisciplinary	117.0	200.0	185.0	415.0	0
Noise	0	40.0	0	0	0
TOTAL ACADEMIC TRAINING	$1,000.0	$1,000.0	$1,000.0	$1,500.0	0
OTHER TRAINING PROGRAMS:					
Air Training	$1,037.0	$900.0	$859.2	$731.6	0
National Rural Water Association Grant Training	1,550.0	1,823.0	1,900.0	1,900.0	0
Waste Treatment Manpower Training	2,654.9	4,103.0	2,624.9	2,625.0	0
RCRA Permits Training	23.4	24.7	25.0	25.0	0
Pesticides Training	1,300.0	1,137.5	933.0	963.0	$963.0
EPA Professional Training	376.4	412.0	465.0	507.6	500.0
TOTAL OTHER TRAINING	$6,941.7	$8,400.2	$6,807.1	$6,752.2	$1,463.0
TOTAL TRAINING PROGRAMS	$7,941.7	$9,400.2	$7,807.1	$8,252.2	$1,463.0

FUNDING FOR THE OFFICE OF CONGRESSIONAL LIAISON

Question: How much are you requesting for your Office of Congressional Liaison for 1985, both in terms of dollars and total workyears?

How does this compare to the 1983 and 1984 levels?

Answer: The President's 1985 Request to support the Office of Congressional Liaison includes $1,014.0 thousand and 21.5 total workyears. These levels compare to $929.9 thousand and 21.5 total workyears in 1984. 1983 resources were requested and obligated in the consolidated Office of Legislation program element. Obligations for the Congressional Liaison division's share of the program element were approximately $717.9 thousand and 17.8 total workyears.

OMB ENFORCEMENT REQUESTS

Question: Please provide, for the record, a list containing your initial request to OMB and the amount now contained in your budget for each of your enforcement programs.

Answer: The attached chart lists, by media, our initial 1985 request to OMB, the President's request, as well as 1984 funding levels.

ENFORCEMENT

MEDIA	FY 1984 CURR. ESTIMATE FTE	FY 1984 CURR. ESTIMATE $	FY 1985 OMB REQUEST FTE	FY 1985 OMB REQUEST $	FY 1985 PRES. BUDGET FTE	FY 1985 PRES. BUDGET $
Air	403.9	$21,317.1	421.9	$24,404.9	410.9	$21,265.6
Stat. Source	309.5	$15,286.5	311.2	$17,401.8	309.5	$14,704.0
Mobile Source	94.4	$6,030.6	110.7	$7,003.1	101.4	$6,561.6
Water Quality	655.2	$28,555.4	762.2	$36,784.5	711.7	$32,506.4
Permit Issuance	302.4	$15,169.2	345.9	$18,076.6	340.9	$16,790.8
WQ Enforcement	352.8	$13,386.2	416.3	$18,707.9	370.8	$15,715.6
Drinking Water	29.7	$1,113.8	44.7	$1,702.6	34.7	$1,374.5
DW Enforcement	29.7	$1,113.8	44.7	$1,702.6	34.7	$1,374.5
Hazardous Waste	176.5	$5,930.6	205.5	$8,959.0	193.4	$8,680.4
HW Enforcement	176.5	$5,930.6	205.5	$8,959.0	193.4	$8,680.4
Pesticides	108.2	$14,937.3	108.7	$16,644.0	108.2	$15,173.3
Enf. Grants		$8,703.4		$9,638.6		$8,703.4
Pest. Enforcement	108.2	$4,133.9	108.7	$4,201.5	108.2	$4,369.9
Cert. Training		$2,100.0		$2,803.9		$2,100.0
Toxics	93.8	$4,792.5	179.6	$9,461.5	134.8	$7,120.7
Toxics Enforcement	93.8	$4,292.5	179.6	$8,461.5	134.8	$6,620.7
Enf. Grants		$500.0		$1,000.0		$500.0

Senator Garn—Continued

ENFORCEMENT

MEDIA	FY 1984 CURR. ESTIMATE FTE	FY 1984 CURR. ESTIMATE $	FY 1985 OMB REQUEST FTE	FY 1985 OMB REQUEST $	FY 1985 PRES. BUDGET FTE	FY 1985 PRES. BUDGET $
Superfund	315.4	$29,703.0	519.1	$63,579.9	508.4	$48,924.6
Tech. Supp.-OECM	24.0	$3,744.5	34.5	$5,223.2	34.5	$5,268.8
Tech. Enforcement	195.9	$21,393.2	345.2	$51,434.8	334.5	$36,549.7
Legal Enforcement	95.5	$4,565.3	139.4	$6,921.9	139.4	$7,106.1
Interdisciplinary	288.3	$13,515.8	326.6	$20,816.6	320.9	$17,037.4
Tech. Supp.-OECM	66.4	$3,771.4	73.4	$6,726.2	66.4	$5,177.6
Enf. Policy & Ops.	221.9	$9,744.4	253.2	$14,090.4	254.5	$11,859.8
Total	2,071.0	$119,865.5	2,568.3	$182,353.0	2,423.0	$152,082.9

CHICAGO TUNNEL AND RESERVOIR PLAN

The multibillion dollar Chicago Tunnel and Reservoir Plan (TARP) has been subject of a great deal of controversy because of its high cost and possible limited impact on water quality. In May 1979, GAO questioned continuing funding of TARP Phase I and recommended that EPA re-assess the project before further funding.

Question: What is your current estimate of when a decision will be made on the future of federal funding for TARP?

Answer: The Agency has made a preliminary evaluation of TARP. However, a funding decision on TARP has been deferred since the State of Illinois did not designate any of the unfunded TARP Phase I segments as priority projects for Federal funding in 1984. However, Illinois has indicated in informal discussions that it might revise the 1984 project priority list to fund a $35 million segment of TARP. When the State designates a specific TARP Phase I segment as within the fundable range of its priority list the segment will be reviewed with any new information and a funding decision made by EPA.

Question: Why has it taken so long to make the re-assessment?

Answer: Because of the interrelationship of TARP and the City of Chicago's proposed advanced treatment plants, the issues have been numerous and complex. The Agency has completed its reviews of the proposed treatment plants. As a result of these decisions and statutory requirements, the State is now reevaluating the use attainability of the Chicago waterways.

Question: How are you estimating whether the States' water quality goals will be met by TARP?

Answer: Under the 1981 Amendments to the Clean Water Act, the State of Illinois is required to reevaluate the water quality standards for the Chicago waterways by the end of 1984. The answer to this question should await completion of the State's review of its water quality goals.

Question: Given Illinois' allocation under a $2.4 billion construction grant program -- about $110 million -- could this project ever be completed?

Answer: The current annual authorization for the program is $2.4 billion through 1985. The total capital cost of the unfunded segments of TARP Phase I is about $1.1 billion. Therefore, within current law and authorizations, the entire project could not be completed.

DRINKING WATER PROGRAM ON INDIAN LANDS

Question: What activities do EPA intend to undertake during 1984 and 1985 relative to Public Water System Supervision and Underground Injection Control on Indian lands?

Answer: In the PWS program, the major problem on the Indian lands is noncompliance which is significantly greater than among other small systems. In 1984, EPA activities focus on providing training to water system operators on monitoring, operation and maintenance, and sanitary surveys. The Agency is negotiating a revised interagency agreement with the Indian Health Service which will increase their role in monitoring and technical assistance particularly in 1985. The 1985 activities will continue to be directed at improving compliance with a possible increase in enforcement activities.

In 1984, UIC program on Indian lands will center on program development activities such as developing necessary regulations, conducting inventory of injection wells, assessment of Class V wells. In 1985, EPA will perform program implementation activities related to permit review and issuance, data management, inspections on contruction and testing, mechanical integrity testing, and compliance. This will be the first year of program implementation on Indian lands.

COMPLIANCE MONITORING

Question: You indicate that the Agency will place major emphasis on compliance monitoring inspections for those facilities required to comply with groundwater monitoring requirements, incinerators and selected generators.

Could you please provide, for the record, the number of inspections that will be conducted in FY 84 and FY 85 at facilities receiving Federal permits?

Could you also provide, for the record, comparative FY 84 and FY 85 inspection data for major and non-major hazardous waste handlers and generators?

Answer: All facilities which receive EPA permits will be inspected by EPA each year in 1984 and 1985. However, when a State receives authorization to issue permits, the EPA permit is transferred to the State. The State issues its own permit and is then responsible for compliance monitoring and enforcement at any permitted facility in that State. As of January 1984, there were 75 EPA permitted facilities; some of these have already been transferred to States which recently received the phase of authorization in which permitting activities are conducted.

The National Permits Strategy projects 342 final determinations in 1984 by EPA and 395 by the States. In 1985, it projects 294 final determinations by EPA and 440 by the States. The decrease reflects our changing emphasis from relatively simple storage and treatment facility permits to more complex incineration and land disposal facility permits. In 1984 and 1985, all major handlers will be inspected at least once each year. In 1984 and 1985, a percentage of non-major handlers will be inspected each year. This percentage is broken down as follows:

25% of the non-major treatment/storage/disposal (TSD) facilities.

7% of the non-major generators and transporters.

RESEARCH EMPHASIS

Question: Please provide a list of the major research program areas that are to be increased in 1985, those that will remain relatively stable and those that will be decreased.

Answer: The major program areas that will be increased in 1985 are:

- Acid precipitation
- Superfund support
- Health and risk assessment research
- Engineering support

Key areas that continue at stable funding levels are:

- Sludge management
- Ground water
- LIMB
- Exploratory research grants and centers

The only area that shows an overall decrease is drinking water. This decrease is due primarily to the completion of funding of a cooperative agreement with the water utility industry.

Question: Please describe the rationale for the research priorities that you have established in your 1985 budget.

Answer: Research priorities for a given area are established through a communication and negotiation process with the appropriate client offices. The primary vehicles for fostering this communication are research committees, which have as members managers from the Office of Research and Development (ORD), the regulatory program office, and regional offices. Once each of the committees has expressed its priorities, ORD management must carefully weigh the often competing demands for resources to determine overall research priorities. These overall priorities are developed to respond to the Agency's priorities as expressed by the Administrator in his annual guidance.

This year our leading priorities are the following:

- Improve our understanding of the causes and effects of acid precipitation.
- Better understand the nature and effects of hazardous and toxic chemicals. This responds to the top EPA priority to better manage and control these substances.
- Strengthen human health and risk assessment research to improve the scientific basis for estimating the human health consequences of exposure to environmental pollution.
- Strengthen engineering research and technology assessment support to regulatory activities in order to determine improved control solutions to complex environmental problems.
- Ensure that all data generated and used by EPA is of acceptable accuracy and reliability.

ACID RAIN STATUS

Question: What is the 1984 and 1985 status and funding of the acid rain program on a government-wide and Agency basis?

Answer: EPA had $15.4 million of the $27.6 million national program in 1984. In 1985 the EPA request is for $34.4 million of the $55.5 million national program. These levels do not include control technology research conducted by both EPA and DOE which is aimed at reducing emissions of the main precursors of acid precipitation, sulfur oxides and nitrogen oxides.

Question: What specific objectives have been established for 1984, 1985 and the outyears?

The specific objectives and outputs in 1984 and 1985 and the outyears are:

Estimate Emissions from Man-made Sources

- An emission inventory of sources for 1984 which will be used in the Eulerian atmospheric model and will be included in the 1987 Assessment; and
- an industrial combustion model to be completed by 1986 for inclusion in the 1987 Assessment.

Understand Atmospheric Processes

- The Eulerian atmospheric model will be developed by 1986 and will require validation through a major comprehensive field study in 1986-87;

- a mesoscale model will be developed to examine local versus longrange source contribution. This will be included in the 1987 Assessment; and

- a mountain cloud chemistry network will be established by 1987 for use in terrestrial effects studies and will be included in the 1989 Assessment.

Establish Deposition Monitoring Data Base

- The dry deposition network will be fully operational by the end of 1986 and its data will be used in the 1989 Assessment.

Understand and Quantify Aquatic, Terrestrial, and Materials Effects

- The National Lakes Survey will be completed by 1985 for use in the 1985 and 1987 Assessments;

- the National Forest Survey will examine forest soils and be completed by 1986 for use in the 1987 Assessment;

- a materials damage survey will be completed for New England in 1985 for the Eastern United States in 1987, and for the entire nation in 1989;

- We will develop target loadings for aquatic ecosystems by 1987, for agriculture by 1988, for forests and soils by 1989, and for materials by 1989. These data will be used in policy development;

- in cooperation with the U.S. Fish and Wildlife Service, we will examine demonstrated methods for mitigation (e.g. liming of lakes) and develop information on costs and effectiveness for use in the 1989 Assessment.

Control Technology

- We will develop data bases on costs and performance of in-place control technology, and data bases on retrofitting sources with no control technology by 1986 for inclusion in the 1987 Assessment.

Integrate Research Assessment and Provide Information for Policy Analysis

- We will develop methods for quantifying damages and benefits in economic terms. We will produce simple methods by 1985 for the 1985 Assessment. More sophisticated methods will be developed for the 1987 Assessment.

HAZARDOUS WASTE RESEARCH

Question: Please describe the changes proposed in your Hazardous Waste Research Program in 1985.

Answer: For 1985, we are requesting an additional $2,454,900. The additional Salaries & Expenses will support: validation of analytical methods for characterizing the contents of waste streams; validating methods for monitoring incinerator stack emissions; and, developing a series of health tests for characterizing wastes as hazardous. Although the total resources requested for the Engineering program will remain approximately the same, additional emphasis is being placed on evaluating existing and emerging waste treatment alternatives. This will be funded using resources made available by the completion of the incinerator field assessment program.

PESTICIDES RESEARCH

Question: Please describe your research efforts in the pesticide area in 1985.

Answer: In the pesticides area, research focuses on increasing our understanding of how pesticides interact with man's activities and the environment, to assure that their use can minimize damage from pests, while maximizing the protection of man's food and fiber and the environment from unreasonable adverse effects.

The specific objectives of the program are to:

- Develop methodologies that improve the Agency's risk assessment capability under FIFRA.
- Develop and validate test methods that identify health and environmental effects of pesticides for the FIFRA registration and enforcement programs.
- Define the environmental, health and engineering endpoints of pesticides to determine future test method development.
- Provide quality assurance assistance and support for the Pesticides Repository program, Regional/State laboratories, and other FIFRA activities.
- Develop and validate techniques that assess human and environmental exposure to pesticides for the FIFRA registration and enforcement program.
- Conduct and review risk assessments in support of FIFRA decision making.

The increase of $1.7 million in 1985 will be used for the development and evaluation of test methods necessary to measure the health and environmental effects of pesticides, quality assurance, and research to evaluate the safety of protective clothing used by pesticides applicators.

EXPLORATORY RESEARCH

Question: What level of support are you requesting for your exploratory research program and how does this compare with the 1984 levels?

Answer: Total resources for all long-term, exploratory research to be conducted by ORD in 1985 are $57,525,000. This is an increase of $10,350,000 over 1984 resources. Contributing to these totals is the exploratory research grants and centers program. In 1985, $13,160,000 will be devoted to this program ($9,800,000 for grants and $3,360,000 for Centers), an increase of $288,000 over 1984.

ENFORCEMENT EFFORTS

Question: Your budget justification indicates that your budget proposes "substantial increases" in the enforcement area over the 1984 level. What specific areas will be given additional emphasis in 1985 and how were these priorities established?

Answer: We are requesting 352 additional workyears (+17%) and an additional $32 million (+27%) for enforcement activities in 1985.

Because hazardous waste mismanagement pose a significant threat to our health and environment, and since the regulatory programs to address these threats are relatively new, increases are even more dramatic for RCRA and Superfund. In 1984, RCRA enforcement personnel will more than double; an additional 10 percent is requested for 1985. RCRA dollars increase by 47 percent in our 1985 proposal. In Superfund, we are proposing increases of 61 percent in workyears and 65 percent in dollars.

Following is a brief summary by media of areas that will be emphasized with 1985 increases:

Superfund: (+193 FTE; +$19.2 million) This increase will enable us to conduct site assessments needed to support additional negotiations with private parties in order to ensure the success of our efforts to compel private party cleanup and recover Federal funds. Cost recovery emphasis will be on the more costly remedial actions.

Specifically, these enforcement resources will enable the Superfund program to provide additional legal and technical support to increase the following:

- detailed site analysis in support of negotiations from 25 to 46;

- civil cases filed with the Department of Justice to compel private party action from 8 to 11;
- cost recovery cases to recover monies expended for Federally financed actions from 34 to 48; and

- ongoing cases filed with the Department of Justice from 55 to 77.

RCRA: (+17 FTE; +$2.8 million) We will emphasize the following enforcement actions in 1985:

- intensive facility inspections focusing on ground water monitoring, closure/post-closure, and financial assurance requirements;

- increasing the use of compliance orders which assess penalties since experience has shown that penalties create incentives for facilities to be in compliance; and

- selective EPA enforcement actions in authorized States which lack the statutory authority to impose penalties or which are unwilling to follow up on violations.

Water Quality: (+57 FTE; +$4.0 million) The increase to the Water Quality enforcement program will support three major activities:

- substantial elimination of the backlog of expired major permits to be issued by EPA in unapproved States;

- development of compliance schedules for POTWS in unapproved States in support of the National Municipal Policy; and

- conduct of appropriate enforcement measures to assure implementation of the pretreatment program in States or cities without approved programs or where approved programs have not been implemented.

Toxics: (+41 FTE; +$2.3 million) The increase in Toxic Substances enforcement will support Regional compliance monitoring activities and increase contract support for the asbestos-in-schools program. Specific emphasis and resources are being placed on the following activities:

- Resources for PCB compliance monitoring are increasing by 20 FTE, primarily to support compliance monitoring inspections and case development actions. We will target our efforts on industries demonstrating high violation rates.

- o Asbestos-in-schools compliance monitoring efforts will increase by 21 FTE and $500,000 in extramural funding. Contract support will be used to conduct approximately 1,400 asbestos-in-schools inspections. The increased workyears will provide case development support for the inspections conducted by contract personnel.

Interdisciplinary: (+33 FTE; +$3.5 million) The extramural increase to this program funds the conduct of evidence audit and evidence preservation activities. This will ensure that crucial data and evidence supporting enforcement case development is fully accurate and complete from both technical and legal standpoints.

In addition, our budget proposes support for an anticipated increase in media-specific litigation, especially in RCRA, as well as an initiative to provide cross-cutting policy development, analysis, and tracking systems for enforcement and compliance monitoring.

Air: (+7 FTE; -$51.5 thousand) This increase in workyears will enable Mobile Source enforcement to expand the recall initiative and assist States and local governments in developing and implementing their own tampering and fuel switching enforcement programs.

The reduction in dollars is due to a shift in Stationary Source enforcement from inspections conducted by contractors to inspections conducted by EPA employees. This shift is due, in part, to court rulings limiting the use of contractors for inspection purposes.

Drinking Water: (+5 FTE; +$260.7 thousand) The increase in Drinking Water enforcement will support the first full year of implementing the Underground Injection Control program.

Pesticides: (+$236.0 thousand) This increase reflects increased intramural expenses.

ASBESTOS CONTROL

Question: How many agencies are involved in the government-wide Asbestos Control Program?

Answer: The Federal Asbestos Task Force consists of four regulatory agencies and three non-regulatory agencies. The regulatory agencies include EPA, Mine Safety & Health Administration (MSHA), Occupational Safety and Health Administration (OSHA), and Consumer Product Safety Commission (CPSC). Non-regulatory agencies are National Institute for Occupational Safety and Health (NIOSH), Food and Drug Administration (FDA), and National Institute of Environmental Health Sciences (NIEHS).

Question: What are the resources that will be devoted to this program for each agency during 1985?

Answer: The purpose of the Federal Asbestos Task Force is not to assess the resources being expended across the Federal government on asbestos control activities. The purpose of the Task Force is to develop a unified approach to asbestos control. Our role as chair of the Task Force is to coordinate the development of that Federal strategy. However, we do not have budget information for the other agencies participating on the Task Force budgets. That information can be obtained from those agencies.

In 1985 under TSCA, EPA has 12 total workyears and $600,000 in extramural support for abatement and control activities which are directed to regulatory efforts such as the ban we are considering where competitive substitutes are available, and the staged phase-down of production. In addition, the budget includes 32 workyears and $1.5 million for the asbestos-in-schools program. Of this, $1 million will be used for contractor inspections. The compliance resources are devoted to monitoring compliance with the Asbestos Reporting Rule and the Asbestos-in-Schools Rule.

Question: What are the resources that will be available from each agency during 1985?

Answer: In 1985, EPA resources for abatement and control will be maintained at the 1984 level. However, staff for the compliance and enforcement program will be increased by 21 regional positions. Again, we do not have this information, but it can be obtained from MSHA, OSHA and CPSC.

Question: What are the specific goals and milestones for this program over the next several years?

Answer: Over the next several years, EPA will continue to evaluate and, where necessary, regulate uses of asbestos and will conduct surveys and hold public meetings to determine the effectiveness of the asbestos regulations. Specific goals include:

ITEM	DATE
° Asbestos-in-Schools Rule Effectiveness Survey, Draft Report	May, 1984
° Public meeting to consider information on asbestos in schools and buildings	May, 1984
° Asbestos-in-Buildings Survey, Draft Report	June, 1984
° Proposal to ban several categories of asbestos-containing products	Summer, 1984
° Proposal to phase down all remaining uses of asbestos	Fall, 1984

WOOD STOVES

Question: During December, you published a small brochure on the cleaner operation of wood stoves. Did you coordinate the research for and writing of this booklet with the Consumer Product Safety Commission?

Answer: In September, 1983, our Research and Development Office published a booklet titled "Wood Stove Features and Operation Guideline for Cleaner Air", (EPA 600/D-83-112) at the request of our Denver, Colorado Regional Office. The research conducted in preparation for this booklet was done in conjunction with an Interagency Workgroup on Wood Stoves. Members of that Workgroup were the Tennessee Valley Authority, U.S. Department of Energy, U.S. National Bureau of Standards and the Canadian Combustion Research Laboratory. Although we had contacted the Consumer Product Safety Commission regarding our preparation of the booklet, they were not members of the Interagency Workgroup thus we did not coordinate our research or the writing of the booklet with them. Beyond governmental agencies there was a great deal of coordination between the Wood Heating Alliance and the Workgroup on the research conducted relative to preparation of the booklet.

Question: Is this booklet distributed through the Consumer Information Center?

Answer: We did not distribute the booklet through the Consumer Information Center. Copies of the booklet were printed and distributed through our regional and individual state offices. Currently copies of the booklet are available from our Center for Environmental Research Information, 26 West St. Clair, Cincinnati, Ohio, our normal research distribution channel.

BIOLOGICAL ASSESSMENT METHODOLOGIES

Question: Last year, the subcommittee obtained a copy of an EPA technical document on water quality-based toxic control. One of the issues raised in that report was the testing of different organisms in the environment to determine the effects of toxics. How important do you believe it is to perform such biological assessments? What is the status of your policy on these assessents and how much money do you intend to devote to this area in 1985? How may assessments will be conducted in 1985?

Answer: We believe biological testing to detect discharges of toxic pollutants is essential, particularly where effluents are made up of complex mixtures of varying composition.

An intensive research effort, begun in 1982, has shown that a significant percentage of municipal treatment plants exhibit toxicity. Often these effluents are the most toxic effluents studied. Industrial effluents also have shown unacceptable toxicity even though national standards for specific industrial categories were not violated. Application of toxicity tests in actual discharge situations around the country shows unexpected levels of toxicity for a wide range of dischargers and points to the need for increasing analysis of the sources and causes for this toxicity.

EPA's national policy statement "Policy for the Development of Water Quality-Based Permit Limitations" was issued on February 3, 1984. It states that EPA will use biological methods to evaluate and regulate toxic discharges and expects the States to do the same. It states that the basis for controlling toxics where specific standards are absent is the general prohibition against "toxic materials in toxic amounts" contained in all State standards.

For 1985, the amount of money spent will be as follows: Office of Water extramural: $400,000; Research and Development extramural: $500,000.

EPA estimates that 57 water quality-based permits will be issued by the Agency in 1985. Each of these is expected to require about 120% more resources than technology-based permit issuance.

EPA's policy on toxics control could influence industrial dischargers to conduct assessments of potential water quality impact voluntarily. These assessments for toxics control may be applicable to as many as 2,000 industrial dischargers and 1,600 municipalities in 1985.

Question: The draft document suggests that EPA select "standard" test species and that at least two species be studied in any one situation in order to determine the sensitivity of organisms to specific pollutants. Have you selected the "standard" species to be tested as yet?

Answer: We are currently developing guidance for water quality assessment and regulation. For assessing impacts we are recommending that more than one organism be selected from about 20 "standard" organisms that have been identified.

HOW TO ORGANIZE A BIKE DAY

Question: Earlier this year, the subcommittee received a copy of a 17-page booklet entitled, "How to Organize a Bike Day." Evidently this booklet was prepared under an EPA contract and published by EPA. The booklet covers such topics as: How to get press coverage and what to do in the event of rain.

How much was the contract and the publication of this booklet cost?

Answer: The contract for the 17-page pamphlet "How to Organize a Bike Day" was for $800. The EPA print shop printed 3,000 copies which had a market value of $1,560.

Senator Garn—Continued

Question: Why didn't the Department of Transportation (DOT) sponsor this contract since they fund bicycle research?

Answer: EPA is not certain why DOT did not wish to sponsor this contract. Copies of this pamphlet will be made available to DOT at their request.

Question: Do you consider the production of such booklets central to EPA's mission?

Bicycling is included among the 18 transportation measures listed in the Clean Air Act (section 108) for reducing transportation-related air pollution. Clearly, this activity is not central to EPA's mission.

COMBINED SEWER OVERFLOW

Question: Could you please provide, for the record, the proposed dates associated with each of the following milestones in the CSO application process?

- Date for the publication of construction grants regulation;
- Deadline for receipt of detailed design drawings and specifications at Regional office;
- Projected date for submitting funding recommendations to Administrator;
- Projected date for transmitting EPA recommendations to Appropriations Committees;
- Projected date for sending obligated authority to Regional offices; and
- Deadline for transmittal of grant agreement to applicant.

Answer: The proposed dates are as follows:

°Publication of construction grants regulation	February 17, 1984
°Deadline for application receipt at EPA Headquarters (120 days after CG reg. publication)	June 17, 1984
°Deadline for approval of detailed design drawings and specifications by Regional office (210 days after CG reg. publication)	September 17, 1984
°Projected date for submitting funding recommendations to Administrator (210 days after CG reg. publication)	September 17, 1984

°Projected date for transmitting EPA recommendations to Appropriations committees (240 days after CG reg. publication)	October 17, 1984
°Projected date for sending obligating authority to Regional offices (270 days after CG reg. publication)	November 19, 1984
°Deadline for transmittal of grant agreement to applicant (45 days after receipt of obligation authority)	January 3, 1985

SMALL BUSINESS AND EPA REGULATIONS

Question: On October 25, 1983, you announced that EPA would be sponsoring a conference with members of the Small Business community. This conference was to evaluate the problems small businesses have in complying with environmental regulations. The conference was scheduled for March 4-6. Was the conference held as expected? What were the major concerns raised by Small Businesses and what assistance is EPA prepared to offer in addressing these problems?

Answer: The conference has been postponed to allow the Agency's Small Business Task Group to complete its work on a small business regulatory strategy. One objective of the strategy is to produce an actionoriented document that indicates specific, implementable actions, activities, or programs that can address small business environmental problems and issues. To assist in developing this strategy the Task Force is inviting views of interested parties outside EPA, including businesses previously interested in attending the conference, on all implementing their own tampering and fuel switching enforcement aspects of small business environmental issues -- from the types of problems encountered to possible ways of solving them.

SUPERFUND LITIGATION

Question: On December 10, 1982, the Environmental Defense Fund brought a civil suit against EPA and HHS seeking to have the court: Find that the Agencies have a mandatory duty under 104(i) of CERCLA to establish the Agency for Toxic Substances and Disease Registry (ATDSR) and perform the other functions required by 104(i).

What is the current status of that suit?

Answer: A consent decree was signed on May 27, 1983 by U.S. District Court Judge Norma Johnson between the three plaintiffs (EDF; Chemical Manufacturers' Association (CMA); and the American Petroleum Institute (API)) and the defendents (HHS and EPA).

Prior to the settlement but in response to the law suit, HHS created the Agency for Toxic Substances and Disease Registry (ATSDR) within the Public Health Service, as directed by CERCLA.

The consent decree placed four specific requirements on HHS.

1. To recommend uniform methods for collecting data related to disease from toxic substance;
   Due Date: November 27, 1983 (Completed by HHS)

2. To develop a policy on establishing registries of persons exposed to toxic substances and have the policy peer reviewed.
   Due Date: May 27, 1984

3. To establish and maintain a comprehensive inventory of information on health effects of toxic substances.
   Due Date: November 27, 1984

4. To establish and maintain a list of areas restricted to the public health of toxic contamination.
   Due Date: November 27, 1984

ATSDR is on schedule for meeting the requirements of the consent decree.

The consent decree also permitted the parties, at their discretion, to question HHS on its progress. If the parties are not satisified with the progress made by HHS, they have the ability to petition to reopen the law suit. HHS has provided information to all parties on request.

SUPERFUND TASK FORCE

Question: Your Superfund Task Force concluded that groundwater contamination exists at 56% of the current National Priority List (NPL) sites, and to date, EPA has determined that 23% of the total NPL sites (or slightly over 40% of those with groundwater contamination) will require treatment to eliminate the hazard presented by the groundwater contamination.

Based on your experience to date in Superfund, what does this translate to in terms of cleanup costs for just the sites on the current NPL?

Answer: For the 546 sites currently proposed or on the National Priorities List (NPL), the total cleanup cost, including groundwater contamination treatment, is estimated to range between $4.0 and $5.1 billion. This range corresponds to the 23 to 56 percent range for groundwater contamination. This total cost includes resources that would come from responsible parties and States as well as Trust Fund monies.

Question: Your report goes on to state that Federal cleanup at 1,400 - 2,200 sites will cost $8.4 - $16 billion in 1983 constant dollars.

Is this your current, best estimate of the national cleanup needs?

Answer: The Task Force report, which is the Phase I preliminary assessment, is our best estimate at this time. However, the $8.4 to $16.0 billion estimate is not the total cost of cleanup. Rather, it is our estimate of required Trust Fund resources. It does not include States' share of cleanup costs nor the costs of responsible parties as they either proceed with the cleanup themselves or contribute funds to the cost of government actions.

MULTI-SITE COOPERATIVE AGREEMENTS

Question: On February 24, you announced the first multi-site cooperative agreement on the Superfund program. This agreement with the State of Pennsylvania, for the first time, funds 12 sites as one group thus avoiding the paperwork involved in processing 12 separate actions.

What is the prognosis for such multi-site agreements in other States and what is EPA doing to encourage this process?

Answer: We anticipate that other States, particularly those with many sites on the National Priorities List, will seriously consider this approach. We have solicited the views of the Association of State and Territorial Solid Waste Management Officials (ASTSWMO) and the Association of Attorneys General. Currently, we are talking with other States and encouraging them to begin preparing applications for multi-site cooperative agreements. In addition, in February of this year EPA issued a document entitled "State Participation in the Superfund Remedial Program". Among other things, this document presents a detailed description of procedures and requirements concerning cooperative agreements, including multi-site cooperative agreements.

CORPS OF ENGINEERS

Question: For 1985, you are asking for a total of $17.3 million to support your interagency agreement with the Army Corps of Engineers relative to the Construction Grants program.

Could you please describe the activities that the Corps is expected to undertake during 1984, including the number of inspections, audits, etc.?

Answer: In 1984, the Corps of Engineers will perform more frequent, i.e., monthly, interim inspections on 1,230 projects, conduct 610 final inspections, perform 1,270 biddability and constructability reviews, manage construction activities for 1,535 projects, conduct 310 preconstruction management conferences with new grantees, expand participation in the Agency's Construction Management Evaluation (CME) program by participating in 100 CME's, and maintain on-site presence at large, complex projects.

Question: Please estimate the level of effort in each of these areas during 1985?

Answer: In 1985, we estimate that the Corps of Engineers will perform monthly interim inspections on 1,250 projects, conduct 695 final inspections, perform 995 biddability and constructability reviews, manage construction activities for 1,470 projects, conduct 300 preconstruction management conferences with new grantees, participate in 726 CMEs, and continue to maintain on-site presence at large, complex projects.

UNREGULATED DRINKING WATER CONTAMINANTS

Question: Your budget justification indicates that you will increase your effort to evaluate the health effects of "unregulated contaminants" in drinking water. What process are you using to select the unregulated contaminates that will be evaluated? Do you envision that EPA will be responding to requests from local officials to analyze their water supply and provide some guidance as to the potential health effects of various contaminates? What level of effort do you intend to devote to this activity during 1985 and how does it compare to your 1984 level of effort?

Answer: The drinking water program's budget request provides an increase in the effort to evaluate the health effects of unregulated, as well as regulated, contaminants. The selection process for evaluating unregulated contaminints will include the following factors: (1) the results of recently completed National surveys on the occurrence of drinking water contaminants, and (2) the frequency of requests for review of chemicals by State and local officials and as well as other Federal agencies.

EPA will continue to provide guidance on the potential health effects of various contaminants through its health advisory program which was established several years ago. EPA will also provide assistance to States in emergency situations. However, we will not conduct laboratory analysis of water samples, normally a State responsibility, unless the States are unable to perform this function.

In 1985, a total of $450,000 in Abatement, Control and Compliance and approximately 30 workyears in Headquarters and the Regions will support the health advisory and emergency response effort. This is an increase of $450,000 over the level of effort provided to this activity in 1984.

TEMIK

Question: Your budget justification indicates that you have now completed your research on the health effects of the contaminate TEMIK in Florida.

Could you please describe the status of that research project and the major findings to date?

Answer: The budget justification states that the budget "reflects completion of funding for research work on TEMIK contamination in Florida." $500,000 which was included in the 1984 budget is funding a cooperative agreement with the University of Florida, which initiated work on TEMIK February 16, 1984. The research will not be completed until the middle of 1985.

A monitoring, modeling and analysis study was defined for TEMIK (Aldicarb) in Florida groundwater. The study will be conducted by the University of Florida, Gainesville, in close cooperation with the State Department of the Environment, Department of Agriculture and several public environmental groups. The EPA's research labs at Las Vegas, NV, Cincinnati, OH and Athens, GA will be cooperating on specific areas of this study. A final report is scheduled to be produced by March 1985.

RCRA COMPLIANCE

Question: In 1985, you intend to devote 193 workyears and $8.7 million to the Regional Hazardous Waste Enforcement Program. With this level of funding, the Hazardous Waste Enforcement Program will have increased more than 150% over the 1983 level. You note in your justification that achieving compliance with the RCRA regulations is one of the Agency's highest priorities.

What specific activities will you undertake during 85 to achieve higher levels of compliance?

Answer: During 1985, EPA and authorized States will undertake a number of activities to achieve higher levels of compliance with RCRA requirements by the regulated community. Thorough compliance monitoring activities coupled with timely enforcement actions when violations are discovered, will result in improved compliance with the requirements of RCRA. Some activities will be undertaken directly by EPA and others will be performed in support of States or as part of the Agency's oversight responsibilities.

The 1985 inspection strategy calls for EPA and/or the States to inspect all RCRA handlers designated as major (approximately 3,000 facilities, generators, and transporters). To ensure compliance with groundwater monitoring requirements, EPA or the States will perform intensive evaluations of facilities required to monitor groundwater. These evaluations require three times the resources of a standard compliance evaluation inspection. In addition, compliance sampling inspections will be conducted by EPA in support of the States. This type of evaluation requires five times the resources (including lab time) required for a compliance evaluation inspection.

Another Agency priority is the performance of detailed reviews of the closure/post closure plans and the financial responsibility instruments of facilities. These will be performed by EPA as direct implementation or in support of States. Efforts to ensure compliance with these requirements will reduce the possibility of closed RCRA facilities becoming Superfund sites of the future.

Agency compliance monitoring and enforcement policy also calls for EPA to inspect every facility permitted by EPA in the prior year to ensure compliance with permit conditions.

Resources earmarked for enforcement activities in the 1985 request will ensure that appropriate actions will be taken in response to violations discovered in the course of the detailed evaluations noted above. Requested enforcement resources will enable EPA to take a more aggressive oversight position with authorized States. The Agency is in the process of finalizing its oversight policy which will call for frequent and forceful EPA enforcement actions when authorized States are unable or unwilling to bring violators into compliance.

ALTERNATIVE TREATMENT TECHNOLOGIES

Question: Your budget justification indicates that you intend to apply an additional $1.6 million and 15 workyears to accelerate the evaluation of alternate treatment technologies versus land disposal.

Could you please outline the options under consideration, the required preprocessing that would be necessary before such disposal and the evaluation activities that you currently have underway and are planning to conduct in each of these alternative treatment technologies?

Answer: The additional resources will be used to accelerate the evaluation of existing and emerging technologies that can be used for the treatment of hazardous wastes, which will probably be banned from landfills and cannot be economically disposed of by conventional incineration. The technologies selected for evaluation will either serve as ultimate disposal for the waste or as "pretreatment" before land disposal. Technologies to be evaluated fall into the general classification of chemical, biological, physical, and advanced thermal. Examples of these categories are as follows: chemical: wet air oxidation, ozonation, alkali polyethylene glycol (APEG); biological: yeasts, fungi, genetically altered bacteria; physical: steam/air stripping, membranes; advanced thermal: high temperature, fluid wall reactor (pyrolysis in absence of oxygen), plasma arc, radio frequency. Technologies selected must be able to render the wastes innocuous with particular attention to control of air emissions during and after the disposal process.

PESTICIDES AND COURT DECISIONS

Question: In your justification, you note that additional resources will be required in your pesticide program for a variety of reasons. One of those reasons involves the Agency's need to "respond to complexities introduced by recent court cases."

Could you please describe specifically the particular type of complexities introduced by these recent court cases and the actions that EPA intends to undertake that address these issues?

Answer: There are three separate cases which have had a major impact on the registration process.

1. The NACA (Mandatory Cite-all) ruling has overturned the EPA "Cite-all" rule which had required firms to cite all relevant data when applying for a pesticide registration.

   -- The Agency did not appeal this decision.

2. The Monsanto (Data Use and Compensation) ruling held that a company's health and safety test data are proprietary and may not be disclosed or used without the owner's permission.

   -- The Supreme Court has agreed to hear the appeal this session.

3. Union Carbide et al. has sued the Agency in an attempt to rescind all existing registrations which rely on data without the prior permission of the data submitter (this decision may affect registration decisions made after 1978).

   -- The Agency hopes that the Supreme Court will combine this hearing with the Monsanto hearing.

If the Monsanto case is upheld, it will be more difficult and complicated for applicants to apply for registration. It will be more difficult for applicants to cite specific studies to meet data requirements and to get permission to use those studies which they themselves have not generated.

The major impact on the program will be on the unit costs for old chemical registrations and amendments as a result of the National Agriculture Chemicals Association suit. The decision requires that the Office of Pesticide Programs (OPP) conduct a more intensive review of applications in order to ensure that applicants comply with the interim procedures to conduct scientific reviews of the additional studies submitted by applicants and to ensure adherence to requirements concerning rights to data. We have issued a notice to all registrants explaining how to apply for registration. The procedures outlined in this notice are consistent with current court orders and will remain regardless of the outcome of the Monsanto case. Please note that the "horizontal line" between producers of technical products and formulators contained in Federal Insecticide, Fungicide, and Rodenticide Act § 3(c)(2)(D) is still in effect, and formulators that purchase a registered technical product need only submit or cite data pertaining to the end use product, thus continuing to relieve many formulators of the responsibility to submit or cite expensive chronic feeding studies or other "generic" data.

PESTICIDES - TOLERANCE AND SPECIAL REGISTRATION

Question: Your budget justification indicates that the Tolerance, Special Registration and Enforcement programs in the pesticide area will remain constant at the 1984 level. The Tolerance program, in particular, protects the public health by insuring that the maximum residue levels likely to be found in foods are safe for human consumption.

Based on the recent concern for chemicals such as EDB, do you believe that your efforts in this area are sufficient to protect the public's health?

What was your original request to OMB for this activity?

Answer: Yes. Pending tolerance proposals are subject to full scrutiny based upon guidelines for testing described in the current Code of Federal Regulations [40 Part 158]. Adequate support for special review of candidate chemicals is available. Issues are resolved prior to tolerance authorizations for residues in human diet items. Old pesticides (previously registered pesticides) undergo systematic review via the registration standard process. Any data deficiencies identified as a result of this review are imposed on registrants under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), Section 3(c)(2)(b). Authority to react quickly to emergency or high visibility situations exists under Section 6 of FIFRA, i.e., suspension of pesticide use while cancellation proceedings develop.

The current budget request for special registrations and tolerances is approximately the same as the original Agency request to OMB.

NEW RADIATION FACILITY

Question: This year you are requesting $6.9 million for your new radiation budget to construct a new facility in Montgomery, Alabama. Could you please describe the need for this facility, what other national facilities exist that would be performing similar functions, and the number of FTE that would be required to staff this facility?

Answer: The Eastern Environmental Radiation Facility (EERF) is the principal laboratory and field facility of the Environmental Protection Agency's Office of Radiation Programs. Because the Facility is principally housed in a number of obsolete wood frame buildings over 40 years old which require extensive maintenance, there is a need for a replacement structure for this operation. Day-to-day activities include high hazard laboratory work involving flammable solvents and chemicals deemed inappropriate in the existing construction. Safety inspections by recognized authorities have concluded that these buildings constitute a fire risk, not only to the occupants, but to the radiation-related equipment essential to the Agency's radiation program. In addition, the buildings are also subject to periodic flooding due to their location in a flood plain. A loss from fire or flood would cripple the radiation program and severely impair its operations until a new building and equipment were obtained. Because the potential for fire or flood loss cannot be averted, it is imperative that acquisition of a suitably designed and constructed building take place as soon as possible.

The Agency has examined the possibilities of other facilities in the Montgomery area and other locations, and has concluded that there is no suitable existing facility available elsewhere. Construction of a new facility in another location or modification of an existing facility to meet program needs would cost more and result in damaging loss of professional staff. The planned facility construction would be on land owned and leased at no cost to EPA by Gunter Air Force Base in Montgomery. The Agency would enter into a tenant relationship that would be beneficial to both EPA and to the Air Force.

The Eastern Environmental Radiation Facility has a unique combination of functions which have been developed and staffed for the specific purpose of being fully integrated into the full range of radiation protection programs conducted in the Agency. Included in these functions is the capability to design and conduct full-scale field investigations of radioactive sources, plus an air-transportable mobile monitoring unit with complete communications facilities which can be rapidly deployed to the scene of a radiation incident anywhere in the United States.

The current rate of use at the EERF is 43 FTEs annually. The new facility will require approximately the same number of staff, although productivity will increase because of efficiencies achieved by locating related functions to be contiguous in the new structure. With radiochemical analysis capabilities, including methods development and quality control, the Eastern Environmental Radiation Facility is unmatched for its ability to provide the full range of laboratory and field support necessary to the continued operations of the Agency's radiation activities. The operations are necessarily located in separate buildings in the present laboratory.

Question: Could you also provide, for the record, the expected operating cost for this facility after its activation?

Answer: The following annual operating costs are based on current cost factors for salaries and benefits, and for supplies and equipment, communications and utilities, and other elements necessary to operate the facility:

Salaries and benefits	$1,460,000
Supplies, utilities, etc.	350,000
Total operating costs	$1,810,000

These estimates assume a reduction in utility costs from the laboratory's being housed in a modern insulated structure, and some reductions in supply costs resulting from operational efficiencies incorporated in the laboratory design.

INTERDISCIPLINARY PROGRAM

Question: This year you are requesting funds to expand the scope of your liaison with other Federal agencies.

Could you please indicate the specific purpose for which these funds will be used and why you feel it is necessary to expand your liaison activities?

Answer: These funds will be used to strengthen our capability at the Regional level to work with other Federal agencies to help minimize the environmental impacts of their program activities. One important use will be to increase our consultation with agencies concerning how to achieve compliance with pollution abatement requirements at their installations. We are experiencing a number of pollution problems at Federal installations, particularly with RCRA and CERCLA sites; it is incumbent on the Federal Government to bring its facilities into compliance as expeditiously as possible. While this is fundamentally the responsibility of the agencies concerned, EPA must play a lead role in providing advice, in monitoring compliance, and in resolving cases on non-compliance in accordance with Executive Order 11208.

A second use of these resources will be to work with agencies to improve their environmental assessments in accordance with NEPA; in accordance with our responsibilities under Section 309 of the Clean Air Act. We have found that many potential environmental problems can be resolved and potential disputes avoided, if there is early participation by EPA in the agencies' planning process. Toward this end, we are emphasizing up-front assessment to minimize problems and conflicts in our mandated review of Agency Environmental Impact Statements under Section 309.

Question: Could you please describe exactly what type of compliance tracking you envision and what level of resources will be devoted to this in 1985?

Answer: In 1984 the Agency concentrated its compliance tracking on two program objectives - raising the overall compliance level of sources subject to environmental regulations, and monitoring our success in returning significant violators to compliance. Marked improvements have been made in our established reporting systems to provide more accurate measures of performance in these two areas. Our new system, notably the one for monitoring hazardous waste enforcement, improve each day as they near completion.

While the fruit of our labor has been reasonably accurate information on overall compliance and the correction of significant violations, we are aware that much work still needs to be done to improve these important measures of the result of our enforcement effort. At this point we have every confidence that our 1985 compliance tracking will produce the most reliable information available. Achieving this goal will be the principal responsibility of the newly established Compliance and Evaluation Branch within OECM. This Branch will engage in the ongoing review and improvement of compliance tracking systems through their media, Regional, and State program staff.

Resources devoted to the work of OECM's Compliance and Evaluation Branch in serving as leader and coordinator for compliance tracking in 1985 will be approximately eight work-years.

Question: Could you please describe the functions of your newly formed Office of Enforcement and Compliance Monitoring?

Answer: The Office of Enforcement and Compliance Monitoring (OECM) reflects a new mission. Its functions can best be described by dividing them into two groups: functions retained from the old Enforcement Office and new functions as compliance monitor for enforcement activity. The goals and objectives of OECM following these explanations will also help to clarify OECM's role in the Agency.

We have retained existing functions:

- Legal Counsel
  - Lawyer-client relationship with compliance programs
  - Represent Agency in major national cases
  - Legal policy role
- Technical support and expertise:
  - NEIC remains valued technical resource to HQ, Regions and States in enforcement investigations and litigation support
  - Experts in criminal investigations
- National Program Manager:
  - OECM is still charged with implementation of a strong criminal enforcement program
- Primary liaison with DOJ on Enforcement matters
  - Manages civil enforcement docket for conformance to national policy
  - Ensures vigorous prosecution of litigation after filing
  - Ensures national consistency for penalty settlements

We have been given a new charge as:

- Spokesperson:

  For the national compliance and enforcement effort for the full range of actions for all media

- Manager:

  To establish and implement effective systems for planning and managing national compliance/enforcement programs, which establish compliance goals and meaningful performance measures

  Gather and summarize EPA/State compliance data from administrative resolution thru litigation

  Track progress toward meeting commitments and ensure timely management attention to problem areas

  Ensure consistent, comprehensive and effective oversight of Regional and State operations

  Conduct cross-media analyses and special studies

- Leader:

  Transfer successful approaches across all media programs

  Foster innovation and improved applications of traditional methods

  Restore pride and ensure the credibility of compliance/enforcement programs

- Quality Assurer:

  Provide independent audits for integrity and accuracy of data and information systems, compliance statistics and evidence from Federal and State programs

  Oversee establishment of effective ongoing quality assurance programs

- Advocate:

  Seek, defend, and integrate adequate EPA and State resource requests to support compliance and enforcement programs and goals

  The Agency's Compliance and Enforcement Goals and Objectives:

Agency Goals

- High rates of real and continuing compliance.

- Credible and reliable compliance monitoring, to detect violations, provide a strong technical basis for follow up enforcement and accurate national statistical picture of compliance status.

- An effective state and federal partnership.

- Full range of state and federal actions to achieve compliance results tailored to the nature of the compliance problems -- from compliance promotion and technical assistance through civil and criminal actions.

- Demonstration of enforcement will through continued and timely use of and follow up to each of our enforcement tools.

- Management systems which target priorities and problems, keep our focus on our overriding compliance and environmental goals and promote effective correction action.

- Fair, consistent, and open administration of our compliance and enforcement programs, including effective communication of program accomplishments to Congress and the public.

Agency Objectives

- Plan and manage agency compliance and enforcement activities through consistent, reinforcing planning and management systems designed to achieve compliance.

- Implement programs through appropriate and decisive action and follow up.

- Promote and establish effective State/Federal partnerships.

- Initiate and evaluate new approaches to achieve compliance.

- Account publicly for the status and accomplishments of compliance and enforcement programs.

- Coordinate budget to better justify and account for Federal and State or local enforcement resources.

Question: How will its function relate to the other compliance efforts at the Agency?

Answer: The Office of Enforcement and Compliance Monitoring (OECM) will be the spokesperson for national compliance and enforcement efforts at the Environmental Protection Agency. OECM will take the lead in transferring successful compliance approaches across all media programs, it will also initiate and evaluate new approaches to achieve compliance and monitor Regional and State compliance and enforcement programs to ensure a consistent, comprehensive and effective national compliance program.

In essence, OECM will be a clearinghouse for all compliance and enforcement information and programs across the Regions, States and nation. The Agency's inhouse expert on compliance methods and programs, its independent quality controller and evaluator of media-specific compliance and enforcement programs.

It will not replace national program managers for media-specific compliance and enforcement programs. OECM's position will be that of an equal among equals commenting on the plans and actions of the media-specific programs. OECM also will not take the lead in setting Headquarters and regional program priorities nor set policy and guidance for individual media programs, except for legal enforcement issues.

RISK ASSESSMENT

Question: In several places in your justification, you reference the need to establish a better mechanism for setting policy and exposure standards under conditions of risk and uncertainty. How much does EPA intend to devote to the general issue of risk assessment and risk management during 1985?

Answer: Our discussions about risk assessment and risk management have been policy discussions. Although several specific initiatives have followed from them, notably our effort to write formal risk assessment guidelines in five separate topics other than cancer, most of our 1985 commitments in this area are not explicitly tied to resource commitments. In the broad sense, everything the Agency does can be considered either risk assessment or risk management.

The formal risk assessment process resides to a great extent in the Office of Health and Environmental Assessment (OHEA) in the Office of Research and Development. Other offices conduct risk assessments of varying sizes and complexities (some 3,000 assessments are completed each year), but OHEA is responsible for most of the largest ones, and is also responsible for leading the effort to write new guidelines. This year we have made commitments to update our cancer guidelines, and to write five others: mutagenicity, teratogenicity (and later, male and female infertility), systemic effects, complex mixtures, and exposure.

OHEA's resources have climbed substantially since 1981:

TOTAL OHEA RESOURCES
(dollars in thousands)

1981	1982	1983	1984	1985
$5,349.8	$6,118.4	$7,399.9	$10,944.5	$11,901.3

In the other program areas, risk assessment resources are not readily identifiable in resource terms, but they are used in the following areas:

Air: Risk assessments are used in the air program to determine which of several sections of the Clean Air Act should be used to set standards.

Water: In the water program, risk assessments are used in the development of criteria and standards and establishment of effluent guidelines.

Drinking Water: Risk assessments are considered in the development of drinking water standards (MCLs), and in the design of Health Advisories.

Hazardous Wastes: The hazardous waste program uses risk assessments in regulatory development efforts, including restricting wastes from land disposal and asssessing risks of air emissions from hazardous waste facilities.

Pesticides: Risk assessments are used in developing tolerances, registration standards, and in the registration of pesticide products.

Toxic Substances: In the new chemicals program, risk assessments are used to assist in determining potential risk of a chemical prior to entry in the marketplace. Risk assessments are used in regulatory development efforts for existing chemicals.

Superfund: The superfund program uses informal risk assessment techniques in efforts to characterize actual or potential risk to populations surrounding selected superfund sites.

In the risk management area, we are now revising our regulatory development process to accommodate a more explicit treatment of risk management issues. From the options selection process onward, any regulation, whose purpose is considered to be the management of health or environmental risk, will carry with it a summary statement of all pertinent risk management data. This includes estimated risks before and after the regulation is put in place, the type of risk involved, the population affected, the scientific weight of evidence available to characterize the risk, and so forth.

RISK ASSESSMENT

Question: In January, the National Science Foundation announced a program solicitation containing risk and uncertainity assessment as one of the areas eligible for funding. In fact, acid rain is cited as one of the issues that such assessments could focus on.

Does EPA have a formal memorandum of understanding with NSF in such research areas to avoid duplication?

Answer: EPA does not have a formal memorandum of understanding with NSF in this area. However, the Office of Research and Development's Office of Exploratory Research does have an Interagency Agreement with NSF's Technology Assessment and Risk

Management Group. The objective of this agreement is to utilize the research sponsored by the NSF program to assist EPA to identify environmental issues which could be clarified by the application of decision analysis techniques and to identify research and development needs of mutual interest concerning the nature of uncertainty in science-based regulatory decisions. This interaction permits EPA and NSF to avoid duplication in this research field.

Question: Has EPA assigned an individual to coordinate these activities with NSF and if so, when was such an individual assigned to that function?

Answer: Yes. The Interagency Agreement is coordinated by the Office of Research and Development's Office of Exploratory Research. The Office of Exploratory Research has been involved in this particular project with NSF since June 1983.

GENERAL COUNSEL AND OFFICE OF INSPECTOR GENERAL

Question: For your Office of Inspector General, you are requesting 216 workyears. This is an increase of 10 workyears over the 1984 level.

Could you please provide, for the record, a breakdown of the activities conducted by the Inspector General during 1983 in terms of the number of reports, recommendations, audits and cost-savings achieved by the Agency?

What specific goals have been established in each of these areas for the Office of Inspector General for 1984 and 1985?

Answer:

Activities Conducted During 1983

In 1983, we issued 1,914 audit reports and questioned $132 million; Agency management sustained $92 million of these costs. We produced cost efficiencies of $48 million and cash savings of $40 million. Altogether, actual savings and commitments to recover costs represented a return of $17 for each $1 budgeted for the OIG in 1983.

During the year we opened 136 investigative cases and closed 91 investigative cases. Our investigations resulted in 17 indictments, 12 convictions, and 16 employee disciplinary actions.

Our efforts in suspension and debarments resulted in the debarment of 25 contractors and the voluntary exclusion of 19 others.

We opened 164 hotline cases and closed 140 during the year. Corrective action was taken on 37 of these cases.

We reviewed 32 pieces of proposed legislation and 50 proposed or revised Agency regulations. We provided substantive comments on five major pieces of legislation.

Goals for 1984 and 1985

Investigations. As we stated in the latest semiannual report to the Congress, our top priority is to strengthen the Office of Investigations. The office has simply not had sufficient resources to mount an effective program of any magnitude. Now, with an increased staffing level, this office is starting to launch two nationwide efforts to combat fraud in EPA's construction grant program.

Bidrigging. Our investigative efforts to date on bidrigging have been focused on the South. During 1984, we are expanding that project to include most sections of the United States. Our work has shown that bidrigging in EPA programs is widespread, and we are devoting substantial resources to address the problem.

Sewer Rehabiliation Program. Fraud in the sewer rehabilitation program may be another national problem. Three officials of a sewer rehabilitation firm were convicted in January of defrauding the government of more than $8 million for work that for the most part was never done. We have indications that such fraudulent activity may permeate the industry. Just this month, we initiated a nationwide investigation of sewer rehabilitation activities.

Audit. We plan to implement a thorough and penetrating internal audit program. This internal audit program will examine many critical areas which have never been tested in EPA. If problems are found, they can be corrected before they get out of control. If practices are sound, appropriate assurances can be given to EPA management. Examples of areas to be reviewed are:

- Federal and State controls to ensure that hazardous and toxic materials are not improperly disposed of in open dumps and landfills;
- State agency management of construction grant programs to ensure that facilities being constructed are needed, properly sized, cost effective, constructed in accordance with approved plans and specifications, and provide for improved treatment which meets established effluent limitations; and
- Agency procedures to evaluate whether the use of pesticides and toxic substances should be approved or restricted.

In the construction grant program, we plan to audit more dollars and fewer projects. To do this, we have implemented a plan for limited-scope audits of projects under $2 million. This will enable us to concentrate on reducing the backlog of requests for final audit of construction grants. We are planning to perform preaward and interim audits. We feel that these audits are a valuable tool for management to identify accounting, management, and technical problems in early stages of projects. This will permit the Agency to take corrective action to prevent the expenditure of unnecessary funds.

Management and Technical Assessment. A new section within the OIG is developing an effective program to prevent fraud, waste, and mismanagement. The OIG will work with top EPA management to put in place mechanisms for developing employee awareness about fraud, waste, and abuse; identifying potential problems in new or existing programs; and making the needed corrections.

Question: For 1985, you are not requesting any additional workyears for your General and Regional Counsel Office. One of the functions of this Office is to handle, with the Department of Justice, all litigation filed against the Agency.

Do you believe that additional resources in this area could assist in the enforcement activities of the Agency?

Answer: No additional resources are requested for the defensive litigation function of the Office of General Counsel or the Offices of Regional Counsel under the Salaries and Expenses Appropriation. An increase of 4.3 workyears (from 10.0 to 14.3 workyears) is requested for the Offices of Regional Counsel for Hazardous Substances Legal Services under the Superfund Appropriation.

Adequate resources are provided for coordination with and support to the Agency's enforcement function.

Resources for the legal enforcement activities of the Offices of Regional Counsel are presented under the Enforcement Policy and Operations and Hazardous Substances Legal Enforcement program elements. The budget requests an increase of 12.6 workyears, from 123.9 workyears in 1984 to 136.5 in 1985, for regional legal enforcement activities in the Enforcement Policy and Operations element. An increase of 37.6 workyears, from 61.4 in 1984 to 99.0 in 1985, is requested for regional legal enforcement of CERCLA in the Hazardous Substances Legal Enforcement element.

Question: What was your original request to OMB in terms of workyears for your Office of General and Regional Counsel?

Answer: A total of 487.7 workyears were requested of OMB for the Office of General Counsel and the Offices of the Regional Counsel. Note that organizationally, the Offices of Regional Counsel include the legal enforcement resources in each Region.

Office of General Counsel	Total Workyears OMB Request	Total Workyears Budget Request
General Counsel	129.5	129.5
Hazardous Substances Legal Services - Headquarters	5.0	5.0
Program Management Office of General Counsel	10.5	10.5
Total	145.0	145.0
Office of Regional Counsel		
Regional Counsel	78.2	78.2
Enforcement Policy and Operations	151.2	136.5
Hazardous Substances Legal Services	14.3	14.3
Hazardous Substances Legal Enforcement	99.0	99.0
Total	342.7	328.0

RESEARCH AREAS OF EMPHASIS

Question: Your budget justification identifies four areas of emphasis for your research program.

One of those involves improving the scientific basis for estimating the human health consequences of environmental pollutants.

Could you please describe the activities that you intend to undertake under this program area and the amount of resources you expect to devote to it during 1985?

Answer: In growing by nearly $4.8 million from 1984 to 1985, health effects research and assessment activities will total $65.4 million and will focus on:

- expanding and enhancing epidemiology research for the air, water and toxics media;
- strengthening an in-house program for developing protocols for screening hazardous wastes;
- developing methods for testing non-carcinogenic health effects of exposure to pesticides;

- supporting the integrated cancer initiative for hazardous air pollutants by using mutagenicity bioassays to identify potential carcinogens in air emissions;

- acclerating the development of comprehensive health assessment documents for hazardous air pollutants;

- accelerating the completion of guidelines for exposure, carcinogenicity, mutagenicity, and reproductive effects;

- providing additional assessment support to the Office of Emergency and Remedial Response in its implementation of the Superfund program.

Question: Another area of emphasis is identified as understanding the risks posed by hazardous and toxic chemicals. Could you provide the same information as requested above for this emphasis area?

Answer: Research programs to improve our understanding of hazardous and toxic chemicals grow by over $12 million to a total of $104 million. Some of the key activities in this area include:

- improve methods to identify and quantify organic chemicals that are used in the dye industry;

- develop and standardize tests that can be used for determining whether wastes should be classified as hazardous, and subsequently subject to control under RCRA;

- improve methods to measure total dioxins and selected isomers (the 2,3,7,8-TCDD isomer being of primary concern);

- determine toxics removal efficiencies and reliability of various treatment processes to enhance toxicity removal in municipal plants;

- validate test methods that are used to assess the effects of pesticides as part of the registration process.

ADVANCED TREATMENT REVIEWS

Question: This year, once again, you are requesting the authority to delegate to qualified Regions and States the review of all proposed Advanced Treatment projects. As you know, the House has insisted on retaining this review capability at Headquarters and has, therefore, rejected this delegation over the last several years.

On what basis are you now recommending that we proceed with delegation?

Answer: EPA initially recommended Advanced Treatment (AT) delegation based upon knowledge gained from five years of experience with Headquarters review of these projects. The technical appendix to our AT policy plus a soon-to-be published AT handbook with examples of AT technical issues reflect some of this knowledge. Additionally, the Agency issued wasteload allocation guidance presenting technical principles for translating water quality standards into the effluent limitations contained in permits.

When it made its proposal, EPA intended to delegate review of projects with incremental costs over $3 million only with congressional approval and based upon performance of the State or Region. Delegation would be phased in over time with Headquarters continuing to review projects over $3 million in non-delegated Regions and States and with Headquarters developing and implementing a comprehensive oversight process. EPA hoped that effective review procedures would be institutionalized in the State and Regional review process.

However, based upon the spotty Regional and State performance in conducting these reviews, EPA has now decided to review more thoroughly existing review procedures for all AT projects. Based upon results of this review, EPA will reconsider its proposal. In the meantime, EPA will continue current review procedures including Headquarters review of all projects over $3 million.

Question: What would be the potential savings in terms of staff and time if such delegation was granted?

Answer: Initially we would anticipate limited staff savings with review delegation. Regional workloads could increase with the delegation of projects over $3 million. Delegation to a State is anticipated as a one-year phase-in process. Moreover, Headquarters would be responsible for developing and implementing oversight procedures while continuing undelegated reviews of projects over $3 million. Both Headquarters and Regions would be responsible for maintaining appropriate oversight. We estimate that approximately 1-2 Headquarter's workyears could be saved in the first year of delegation. Future staff savings would be a function of the extent to which States demonstrate their review capabilities.

Question: Would you expect that there would be any increase in the number of advanced wastewater treatment plants approved if this activity was delegated?

Answer: Definitely not. Our purpose in delegating AT reviews is to remove extra review levels when States and/or Regions have demonstrated review capabilities.

HAZARDOUS WASTE PROGRAM INCREASES

Question: Your 1985 budget contains an increase of $7.3 million in your Hazardous Waste Program. Your budget justification indicates that these funds are, in part, to develop regulations that will help to expand and strengthen the existing Hazardous Waste Program.

Could you please describe the types of activites that you intend to undertake and the types of regulations that are under consideration for development during 1985?

Answer: The increased resources support the Agency's efforts to fill in gaps in the coverage of the RCRA hazardous waste program. In 1985 the Agency is undertaking the following in support of this effort:

(1) Reviewing additional listings of hazardous wastes from the organic chemical industry.
(2) Developing regulations to restrict certain wastes from land disposal.
(3) Developing regulations for small quantity generators.
(4) Developing regulations for burning of wastes in industrial boilers.
(5) Developing regulations for waste oil.

In addition, the Agency will continue its review and revision of existing regulations. EPA will develop location standards addressing hydrogeologic and climatic locations that are not suitable for land disposal. EPA will continue its work on regulatory amendments covering, for example, storage of wastes in above-ground or underground tanks. The Agency will also study the remaining RCRA §8002 large volume wastes.

CHESAPEAKE BAY PROGRAM

Question: This year you are requesting $10 million and five workyears for the Chesapeake Bay Program. This represents an increase of $750,000 from the 1984 level. In 1984, you intend to obligate $250,000 for salaries and expenses associated with this program. Why do you require $750,000 in 1985?

Answer: The actual Salaries and Expense figure for the Chesapeake Bay Program in 1984 is $565,000 not $250,000. On two occasions since the budget was submitted, the Agency has reprogrammed resources related to the salaries and expenses for this program. One reprogramming in the amount of $200,000 was from Region III's Regional support funds and the other, amounting to $115,000, was from Headquarter's undistributed funds. The increase from $565,000 to $750,000 (as well as the increase during 1984) is due to two factors. First, the contractual costs of operating the data management system must be covered out of salaries and expenses, not extramural resources as planned. Second, the program during the early part of 1984 has not staffed up to its planned personnel target of 5 FTE. The Chesapeake Bay Program staff will be fully staffed throughout all 1985, so additional Salaries and Expense resources will be needed above the 1984 figure.

Question: How much will be spent supporting the Implementation Committee and how much will be spent supporting the Executive Committee?

Answer: The Chesapeake Bay Liaison Staff will provide support to both the Executive and Implementation Committees. The resources for this staff include the 5 workyears and $750,000 for salaries and expenses as well as $2,000,000 in abatement, control and compliance which we expect will support modeling and monitoring activities.

Question: Your budget justification notes that you will supply funds for matching grants to Maryland, Pennsylvania, Virginia and the District of Columbia. Have you established a matching local ratio for such grants?

Answer: We have established a matching ratio of 50-50 with the States. If the States so desire, they can develop a matching ratio with local authorities.

SUPERFUND

Question: Your 1985 budget requests $640 million and 1,357 workyears for the Superfund program. This represents an increase in funding of 56% and an increase in workyears of 35% from the 1984 appropriated levels.

What specific increases in activities do you expect during 1985 as a result of these increased resources?

Answer: Approximately $220 million or 95 percent of the $230 million increase from 1984 to 1985 is due to increases in the Hazardous Substance Response and Technical Enforcement portions of the Superfund program. The remaining $10 million increase is to Research and Development, Management and Support, and Legal Enforcement, and is directly associated with increases to the Response and Technical Enforcement portions of the program. Projected increases in activities carried out by these programs are shown below:

Program Activities	Current Estimate 1984*	Estimate 1985	Percent Increase
REMOVAL ACTIONS			
Immediate Removals	150	150	-
Planned Removals	20	20	-
REMEDIAL ACTIONS			
Preliminary Assessments	4,000	6,600	65%
Site Inspections	1,300	2,000	54%
RI/FS			
Program	55	69	25%
Enforcement	25	46	84%
Designs	30	68	127%
Constructions	15	46	207%
IRM	25	25	-

*Excludes outputs associated with the proposed 1984 supplemental budget request.

Senator Garn—Continued

ENFORCEMENT ACTIONS			
Ongoing Cases	55	77	40%
Settlements	11	15	36%
CERCLA §106 Litigation	8	11	38%
CERCLA §107 Litigation	34	48	41%
Administrative Orders	60	84	40%

*Excludes outputs associated with the proposed 1984 supplemental budget request.

Question: In your budget justification, you describe three major policy changes that were undertaken in 1983 that have improved the Agency's ability to rapidly address Superfund sites. Could you please briefly describe the impact of each of these policy changes? First, broadening the interpretation of the criteria for undertaking emergency response actions at sites. Secondly, eliminating State cost sharing requirements for remedial planning. And finally, requiring that a site analysis be conducted prior to negotiations with responsible parties.

Answer: Broadening the interpretation of the criteria for undertaking emergency response action at sites has substantially increased the Agency's flexibility in dealing with hazardous waste waste site threats. The Agency is now able to respond to a greater range of threats, often sooner than was possible before. Since the policy change of one year ago, 160 removal actions have been approved. In the two years prior to May 1983, only 102 removals had been approved.

Eliminating the State cost-share requirement for remedial planning has significantly increased the pace of the program. EPA no longer has to negotiate a contract with State before commencing a RIFS. Since this policy went into effect in May 1983, remedial investigations have been started at 136 sites, as compared to 66 sites in the two previous years.

The final policy change referred to, required that remedial investigations and feasibility studies (RI/FS) be conducted prior to the beginning of negotiations. This policy has benefitted the program in a number of respects and has been recently modified in light of the experience of the Agency in implementing it.

This original policy change precluded potentially responsible parties (PRPs) from conducting the RI/FS, unless they were also willing to commit to conducting the remedial action. This has eliminated delays resulting from unsatisfactory negotiations concerning the RI/FS, and reduced problems from inadequate RI/FS conducted by responsible parties. The modified policy allowed the Agency to pursue its own priorities for private-party cleanup, and has allowed more efficient use of Agency resources.

However, the Agency identified drawbacks to this approach. Some potentially responsible parties have wanted an opportunity to prepare an RI/FS or participate in its development. They have been reluctant to accept the conclusions in the RI/FS and to assume responsibility for conducting cleanup, because their views were not reflected in the Agency-financed RI/FS. This policy also increased demands on the Fund, and ran contrary to the Agency's preference for timely and effective private-party response.

In light of these drawbacks, the Agency has established a new policy concerning the conduct of RI/FS by PRPs. The Agency will give potentially responsible parties an opportunity to conduct the RI/FS, consistent with Agency priorities and with new Agency procedures and guidance. The new approach will better enable the Agency to target its enforcement priorities, reduce the possibility of unsuccessful or protracted negotiations with PRPs, and enhance the quality of private-party RI/FS. It is described in the policy document: Participation of Potentially Responsible Parties in Development of Remedial Investigations and Feasibility Studies under CERCLA, issued on March 20, 1984.

DIOXIN STUDY

Question: In your 1984 Appropriations Act, the Congress directed EPA to undertaken research on the human toxicity of dioxin and also to establish a dioxin monitoring program. Could you please describe your efforts to date in these areas and what you expect to accomplish during 1984?

Answer: With regard to our research on the human toxicity of dioxin, it is dedicated to improving our understanding of the behavior of dioxin in biological systems. We are studying the tissue distribution and rate of excretion of 2,3,7,8-tetrachlorodibenzo-p-dioxin (2,3,7,8-TCDD) in rhesus monkeys. These animals have been maintained on a diet of 25 parts per trillion of 2,3,7,8-TCDD for four years. We will analyze fat, blood, urine, feces, and breast milk (from dams) samples using gas chromatography/mass spectrometry after removal of 2,3,7,8-TCDD from the diet at regular intervals. This will enable us to determine for the first time which tissues contain 2,3,7,8-TCDD, the levels of contamination, how the compound is excreted, and the rate of excretion. These results will be compared with pathological examinations of tissues to determine it there is a correlation between toxic effects and residues levels.

Additionally, we are examining episodes of low birthweight and childhood cancers in Missouri to determine if there is a correlation between these effects and dioxin contamination. Hospital records are being examined to determine how many cases come from areas known to be contaminated with 2,3,7,8-TCDD. Confounding variables such as maternal diet and smoking will be included in this study to eliminate cases which may be caused by other factors.

With regard to establishing a dioxin monitoring program, we have established a laboratory network composed of Agency laboratories to analyze up to 2,000 soil, sediment, air, water, or fish samples for 2,3,7,8-TCDD this year. This effort supports the Agency's National Dioxin Strategy. Concurrently, we are standardizing analytical methods, writing quality assurance procedures, and producing reference and quality control samples. These materials will be used to qualify contract laboratories next year to transfer this technology to the private sector. This will expand the availability of this technology for routine monitoring.

Senator Garn—Continued

UNCONTROLLED WASTE SITES

Question: In the 1984 Appropriations Bill, the Congress added $1.5 million for research and development targeted at managing uncontrolled waste sites under your Superfund Program and the Senate Committee also directed that an additional 10 workyears be devoted to this activity during 1984. What do you expect to accomplish by the end of 1984?

Answer: The additional 1984 funds of $1.5 million will be used for the following activities:

Mobile Incineration - Installation of the solids feed system will be completed and testing will be initiated.

Mobile soils washing system - Controlled condition tests will be completed to evaluate the ability of the system to remove contaminants from excavated soils to acceptable residual levels.

Fugitive dust control - An evaluation will be performed on several dust suppressants to determine their ability to control hazardous fugitive dust problems before and during remedial actions.

Stabilization of high hazard soils - A laboratory study will evaluate the feasibility of fixing highly hazardous contaminants in soils by means of portland cement or asphalt mixtures so as to prevent subsequent mobility through leaching action from either surface or groundwaters.

AIR PROGRAM

Question: In describing your air program activities for 1985, you note that the stationary source enforcement program will emphasize compliance by "significant violators."

What additional emphasis will be placed on compliance by "significant violators?"

Answer: The stationary source enforcement program uses the concept of a "significant violator" to define its highest priority violators. EPA Regional Offices, after discussions with their States, make commitments to resolve most or all of the significant violators pending at the beginning of the year by the end of the year. These commitments then become an essential element of the evaluation of Federal and State performance as part of EPA's accountability system. A large segment of the "significant violator" category and a major focus of the program for 1985 will be sources violating control requirements for volatile organic compounds in State implementation plans.

Senator Garn—Continued

Question: You also note that you will require pollution sources to increase the use of continuous emission monitoring.

Could you please explain what classes of pollutors will be required to maintain continuous monitoring and how this monitoring data will be used in your enforcement activities?

Answer: Continuous emission monitors (CEMs) are currently required for 13 source categories under New Source Performance Standards, either as the compliance test method (three categories) or as an indicator of proper operation and maintenance (ten categories). In addition, provisions in the air quality plans of various States also require CEMs, as do some permits and consent decrees. EPA intends to proceed in 1985 to assure that States have adopted adequate CEM provisions in their air quality plans for the source categories for which such provisions are currently required (i.e., fossil fuel-fired steam generators, fluid bed catalytic cracking unit catalyst regenerators, sulfuric-acid plants, and nitric-acid plants). EPA also intends to make a major effort to enforce existing CEM regulations, with particular emphasis on utility and industrial boilers subject to Subparts D and Da of the New Source Performance Standards. The data will be used for inspection and enforcement targeting for Subpart D sources and direct enforcement for Subpart Da sources.

Question: You indicate that a long-term cancer assessment program will be initiated to address a long-standing scientific problem -- the lack of information on the relationship between air pollution and cancer. How much money do you intend to devote to this activity in 1985?

Answer: The Integrated Air Cancer Project (IACP) is planned to be a closely coordinated interdisciplinary research program to develop the scientific methods and data bases for identifying the major sources of carcinogenic chemicals emitted into the air and/or arising from atmospheric transformation of chemicals emitted into the air. This research program will also be designed to improve the methodology and data base for assessing human exposure and risk to airborne carcinogens. EPA intends to devote $2,450,000 to this activity in 1985.

Question: Why does EPA intend to undertake this activity rather than the Centers for Disease Control?

Answer: This project is designed for methodology development and data generation to identify sources of airborne carcinogenic chemicals. This approach is consistent with EPA's responsibilities under the Clean Air Act to protect public health by controlling emissions from sources of hazardous air pollutants. For such controls to be implemented effectively, information must first be developed identifying those sources and chemicals of greatest threat to human health.

Question: What agencies and organizations are represented on the advisory panel for this long-term cancer assessment?

Answer: No discrete Advisory Panel has been organized to review, oversee, or comment on this particular project.

Question: Your 1985 budget proposal for mobile source compliance and enforcement activities totals 300 workyears and $20 million. This represents an increase of $1 million and 9 workyears over the 1984 level. Why is it necessary to devote such a large number of workyears to this program activity?

Answer: The 1985 request for the national mobile source program consists of 300.2 workyears and $20,048,200. These resources fund not only compliance and enforcement programs, necessary to the effectiveness of the national mobile source program, but also a wide variety of other technical activities essential to the effectiveness of the national mobile source program, including standard setting (mostly mandated by the Clean Air Act), technology assessment, vehicle testing, support to local control efforts, and development of fuel economy data. EPA's mobile source program is carried out at the national level, dealing directly with the auto, oil, and aircraft industries. This concentration of effort is due to the mandates of the Clean Air Act and the Motor Vehicle Information and Cost Savings Act.

Specifically, the 300.2 workyear request for 1985 will fund the following activities: (1) emissions standards, technical assessment and characterization (71.9 workyears); (2) testing, technical and administrative support (93.6 workyears); (3) emissions and fuel economy compliance (33.3 workyears); and (4) mobile source enforcement (101.4 workyears). Increases of 8.5 workyears and $1,093,500 over the 1984 funding level will support critical enforcement programs.

Question: Could you please provide the types of enforcement and compliance activities being performed by these individuals and the number of workyears associated with each type of activity?

Answer: The major enforcement activities planned for 1985 include:

- Emissions recall program - 26.5 workyears
- Selective Enforcement Audits of assembly line vehicles - 7.6 workyears
- Importation of nonstandard vehicles - 7.0 workyears
- Fuels/fuel additives enforcement - 10.7 workyears
- Anti-tampering/fuel switching program - 36.1 workyears

EPA CONSULTANTS AND EXPERTS

Question: How much money do you expect to spend during 1984 and 1985 for Consultants and Experts?

Answer: In 1984, we expect to obligate $40,882,000 for consulting services; in 1985, we expect to obligate $41,564,000.

AMERICAN INDIAN POLICY

Question: Mr. Ruckelshaus, during your confirmation hearings before the Environment and Public Works Committee, Senator Stafford asked you a series of questions about your Agency's

Implementation of a Policy allowing for Indian tribes to utilize Federal environmental laws and programs.

In responding to the Senator, you indicated your full support for President Reagan's overall Indian Policy of January 24, 1983, and that you were looking "to Tribal Governments to play an enhanced role in decision-making and program management affecting reservation environments." You went on to state that the EPA Indian Work Group, in conjunction with the Office of Federal Activities, had prepared a draft discussion paper that would lead to the establishment of an EPA Indian Policy which you hoped "to issue soon."

What is your 1985 budget for assisting in Indian Tribal utilization of environmental programs?

How many staff people does EPA presently have allocated to deal with tribes wishing to become involved in program management affecting reservation environments both in your Central and Regional Offices?

Do you have plans to change this after the adoption of an EPA Indian Policy?

How much is in your 1985 budget for these Indian Programs?

Answer: The 1985 budget does not contain a distinct line item for assisting in Indian Tribal utilization of environmental programs. Such activities are usually funded with Abatement Control and Compliance resources which are divided by the Agency's media programs. These resources are available for grant support to States, Tribes and/or local governments. For 1985, and in some instances for 1984, the allocation process has not occured However, based upon historical expenditures and preliminary allocation estimates, approximately $1.7 million and 16.8 total workyears will be available within the Agency to address environmental problems on Indian lands.

EPA presently has one headquarters and one regional (Region 6-Dallas) staff person assigned to Indian issues. In addition, each major Headquarters Office and each Region with Federally-recognized Indian Tribes has a representative to the EPA Indian Work Group whose duties include coordination on Indian issues. Further, the Regional Offices have approximately fifteen people dedicated to ensuring that Indian Tribes assume primary responsibility for the Underground Injection Control and Public Water System programs.

After adoption of an EPA Indian Policy, we plan to proceed, through focused use of existing resources, to work on a few selected pilot projects in which we will act in concert with Tribal Governments to develop programs for the protection of reservation environments. Our aim is to proceed in a careful, stepwise manner to determine how best to ensure effective environmental programs on Indian reservations. By doing so, we will be able to better determine the need, if any, for an increase in funds and/or personnel for reservation programs in future years.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

Question: You have requested a $50 million supplemental for the Superfund in 1984. Does this mean that you will handle additional sites? If so, how many?

Answer: The 1984 supplemental funding will enable EPA to accelerate its efforts to address uncontrolled hazardous waste sites. In early 1984, the Agency conducted a comprehensive State-by-State review of projects that could be ready for action in 1984. As a result, we decided that we could initiate remedial design work at ten additional sites and remedial construction work at two additional sites during the year. In addition, as a result of certain policy changes made to expedite cleanup actions financed by the Hazardous Substance Response Trust Fund and to strengthen the Superfund program's enforcement posture, it was decided to proceed with remedial planning activities at an additional 35 sites during 1984.

Question: Do you intend to increase the number of sites eligible for Superfund in 1984?

Answer: The current National Priorities List (NPL), published in August 1983, contains 406 sites. At that time an additional 133 sites were listed as a proposed update to the NPL. These sites, together with 7 sites for which rulemaking is pending, yield a total of 546 sites eligible for remedial action under the Superfund.

We currently anticipate issuing a new NPL update in May of this year to add those August 1983 proposed sites that meet the criteria for inclusion on the NPL. Also, in July or August we will propose a list of new sites to be added to the NPL. These sites will be eligible for preliminary Superfund work at that time and will be formally added to the NPL following a comment and review period.

Question: You have requested a supplemental of $5.5 million for the acid rain program. How would this additional funding be used? If funding is provided, will all 1984 funding for acid rain be obligated in 1984? Expanded?

Answer: The National Lake Survey will be conducted in three phases with Phase I to begin in 1984. The lakes will be selected in a statistically balanced way drawing from various geographic regions, several lake types and sizes, and differing acid deposition loadings. After the Phase I process of sampling about 2,500 lakes, about 500 lakes will be selected for follow-up monitoring on a seasonal basis (Phase II). About 100 lakes will become long-term ecological monitoring sites in which aquatic chemistry, biota, and other factors will be measured intensively and the results analyzed.

We anticipate that all of the 1984 appropriated funds for the Acid Rain program will be obligated in 1984. The supplemental funds for Phase I, the $5.5 million requested, will be obligated entirely in 1984, if the supplemental appropriation becomes available before mid-summer of this year. The funds will support project planning and management, wet laboratory analysis, data analysis and handling, quality assurance procedures, scientific peer review, sampling equipment, and other costs.

The pilot evaluation to test sampling protocols and logistics will begin in late May with actual sampling planned to begin in August of 1984.

SUPERFUND

Question: How are you determining where to begin remedial action first, i.e, have you prioritized the site list and, if so, how?

Answer: To date, EPA has inventoried over 16,000 uncontrolled hazardous waste sites. To be eligible for a remedial action under Superfund, however, a site must be included on the National Priorities List (NPL). The NPL identifies the targets for action with candidates arranged according to their scores on the Hazard Ranking System (HRS). HRS scores are designed to take into account a standard set of factors related to risks from migration of substances through ground water, surface water, and air. The list serves as an information and management tool, allowing EPA to decide which sites warrant detailed investigation to determine what, if any, response is needed. Each year, EPA works closely with the States to establish an accomplishments plan which sets the priorities for specific site remedial actions. Decisions about which sites will appear on the accomplishments plan take into consideration the HRS, the extent of the threat to public health, responsible party involvement, and the States' preparedness to participate in a response.

Question: At how many sites is remedial work underway?

Answer: As of February 29, 1984, Hazardous Substance Response Trust Fund-financed remedial work was ongoing at 207 sites, either through enforcement or Fund lead activities. In addition, voluntary remedial work by responsible parties was ongoing at 36 NPL sites.

Question: When would you project completion of remedial work on the existing site list?

Answer: By the end of 1984, EPA anticipates that approximately 280 sites, from the current NPL of 546 sites, will have remedial activities ongoing. If no new sites are added to the NPL, remedial work would probably start at the remaining sites by the end of 1986. However, we anticipate proposing new sites for the NPL in July or August of this year. As new sites are added, we will work with the States to determine if they should receive a higher priority than sites on the current NPL at which work has not started. Consequently, we are unable to project a completion date for remedial work at sites on the current NPL.

Question: How many cost recoveries have you had to date under Superfund? Where and for how much? How many do you anticipate by the end of 1984? In 1985?

Answer: Through December 1983, EPA has established cost recovery accounts receivable with Treasury totalling $3,287,132. Additional cost recovery agreements have been reached which were not included in the December totals. A list of these recoveries follows:

Accounts Receivable:

	Amount Recovered	
	Removal	Remedial
Woburn (Stauffer), MA		$60,000
McAdoo, PA		4,800
Bluff Road, SC		95,000
Chem-Dyne, OH		2,208,150
Aidex, IA		12,967
ABM-Wade, (Sup. Tube), PA	135,270	
A&F Materials, IL	61,000	
Chem Central, MI		140,000
FMC, MN		10,000
Oakdale, MN		10,000
Velsicol (Gratiot), MI		500,000
New Castle Steel, DE		13,400
Arlington, WY	6,545	
General Disposal, CA	30,000	
9th Avnue Dump, IN.	5,000	
Total Accounts Receivable		$3,292,132

Additional Recoveries

	Removal	Remedial
Wade (Porter), PA		$117,000
Envirochem, IN		800,000
Wade (Sandvik), PA		150,000
Metal Banks, PA		67,000
Petro Processors, LA		600,000
Total Additional Recoveries		$1,734,000
Total Recovered:		$5,026,132

The Agency anticipates referring 34 cost recovery actions to the Department of Justice in and 48 in 1985. Our current estimate is that cost recoveries will total $6 million through 1984 and $46 million through 1985. The significant increase in 1985 is due to a shift in emphasis in that year from recovery of funds expended for removal activities to recovery of remedial funds as sites are completed.

Question: How much do you estimate will remain in the Hazardous Substance Response Trust Fund at the end of 1984? 1985?

Senator Huddleston—Continued

Answer: Assuming enactment of the proposed $50 million 1984 supplemental, the Agency projects an unappropriated balance in the Hazardous Substance Response Trust Fund of $244,609,000 at the end of 1984. The 1985 unappropriated balance is projected to be $1,609,000.

Question: What areas have been included under the expanded removal program?

Answer: The projected increase in removal activities for 1984 and 1985 is due to a decision made in 1983 to initiate a review of all known sites to determine whether any posed an immediate and significant risk of harm to human life, health, or the environment, and to move out aggressively to stabilize any site on the NPL until remedial or enforcement action could be taken. Further, it was decided that non-NPL sites should be stabilized to remove any immediate and significant threat. This decision was made pursuant to the National Contingency Plan's authorization for preventing releases of hazardous substances. The expanded program will consider off-site storage, where cost effective, to avoid rehandling of stored wastes should a remedial action be commenced at a later date.

Question: You have requested $17.8 million for other Federal agencies to support the Superfund program. What other agencies are involved, how much will go to each and for what general purposes?

Answer: Following is a listing of other Federal agencies receiving Superfund resources. The listing shows the funding level being requested for each Agency's major areas of activity.

Department of Health & Human Services

Activity	Amount
Scientific Support	$2,628,000
Emergency Response	661,000
Health Studies	4,791,000
Worker Safety	840,000
Toxicology	575,000
TOTAL	$9,495,000

Federal Emergency Management Agency

Activity	Amount
Program Development	$234,000
TOTAL	$234,000

Senator Huddleston—Continued

Department of Interior

Activity	Amount
Superfund Coordination	$120,000
Regional Response Management	175,000
Headquarters Response Management	60,000
TOTAL	$355,000

National Oceanic and Atmospheric Administration

Activity	Amount
Training	$163,000
Equipment	$150,000
Communications	$50,000
Port Contingency Planning	$75,000
Regional Response Teams	$22,000
Research and Development	$40,000
TOTAL	$500,000

Occupational Safety and Health Administration

Activity	Amount
Health Response Team	$182,000
Office of Field Coordination	$39,900
TOTAL	$222,400

Department of Justice

Activity	Amount
Litigation Personnel	$3,588,000
Automated Litigation Support	$750,000
Travel	$484,000
TOTAL	$4,822,000

United States Coast Guard

Activity	Amount
Enforcement	$250,000
Workforce	$771,000
National Response Center	$85,900
Medical Monitoring	$350,000
Information Systems	$250,000
Research and Development	$200,000
Program Coordination	$100,000
Other Non-reimbursable Expenses	$185,000
TOTAL	$2,192,000

Senator Huddleston—Continued

STATE GRANTS FUNDING

Question: Please compare the 1985 budget request for each of the State grant programs with the 1980 appropriation.

What would the 1985 request for each program have to be in order to adjust for inflation since 1980?

Answer: The following table* displays the amounts appropriated for each of EPA's major grant programs in 1980, the amounts requested in the 1985 President's Budget, and the 1980 amounts for each grant adjusted for inflation.

GRANT *	1980 APPROPRIATION	1985 PRESIDENTS'S BUDGET	1980 In 1985 DOLLARS**
AIR (105)	$82,800,000	$ 87,734,700	$111,201,400
WATER (106)	48,730,000	54,200,000	65,444,800
PUBLIC WATER SUPPLY	29,450,000	27,450,000	39,551,600
UNDERGROUND INJECTION CONTROL	4,395,000	7,500,000	5,902,100
HAZARDOUS WASTE	18,600,000	47,000,000	24,979,900
PESTICIDES ENF.	8,750,000	8,703,000	11,751,100
TOTAL	$192,725,000	$232,587,700	$258,830,900

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*Does not include figures for Pesticides Certification and Training as no funds were available for this program in 1980.

** The column expressing the 1980 appropriation in 1985 dollars is based on the latest deflators for State and local purchases as reflected in the 1985 President's Budget

Question: During a period when the States have assumed an ever increasing number of responsibilities, how do you justify the requests?

Answer: The 1985 request for State grants does recognize the essential contribution to environmental protection made by the States. The request is also based on data developed by EPA staff in conjunction with the States which documents and establishes priorities for the work that must be done in each program.

Given the myriad of activities that the Agency must carry out in 1985, EPA has chosen to maintain these programs at essentially their 1984 levels. It also should be noted that other factors such as revenues from state permit fees and improved productivity should help to offset the effects of level or decreased Federal funding.

EMISSIONS CONTROL

Question: In how many areas do you currently have auto emission inspection programs? What are they?

Answer: Localities in 21 States are presently operating motor vehicle emissions inspection and maintenance programs. The 21 States are as follows:

Region 1 - Connecticut, Massachusetts, Rhode Island
Region 2 - New Jersey, New York
Region 3 - District of Columbia, Delaware, Maryland, Virginia
Region 4 - Georgia, Kentucky, North Carolina, Tennessee (Memphis)
Region 5 - None
Region 6 - New Mexico
Region 7 - Missouri
Region 8 - Colorado
Region 9 - Arizona, California, Nevada
Region 10 - Oregon, Washington

Question: Do you expect to add areas in 1984 or 1985?

Answer: The following States are expected to implement emissions inspection and maintenance programs in 1984 or 1985:

State	Start Date
Texas	April 1984
Utah	April 1984
Wisconsin	April 1984
Indiana	May 1984
Pennsylvania	June 1984
Tennessee (Nashville)	July 1984
Idaho	August 1984
California (Fresno)	October 1984
Alaska	July 1985

Implementation schedules for programs in three additional States: Illinois, Michigan, and Ohio, are currently undetermined.

Question: Do you foresee the elimination of any of the existing areas in the next year or so or are they indefinitely committed to the program?

Answer: All programs are expected to remain in effect at least through 1987, in order to assure attainment and maintenance of the National Ambient Air Quality Standards by the 1987 deadline in the Clean Air Act. However, if any of these areas could demonstrate long-term maintenenace of attainment without inspection and maintenance, continuation of this program would not be necessary.

WATER QUALITY PERMIT BACKLOG

Question: What is your backlog of permits for municipal and industrial discharges?

Answer: The following table provides a summary of municipal and industrial permits by expiration dates. The backlog -- those permits that have expired -- is current as of February 1, 1984:

Summary of NPDES Permits by Expiration Dates

	Expired	Expiring			Total
		1984	1985	After 1985	
EPA					
Majors					
Industrial	522	43	58	432	1,055
Municipal	259	95	190	382	926
Subtotal	781	138	248	814	1,981
Minors					
Industrial	3,968	271	478	1,218	5,935
Municipal	1,618	111	54	478	2,261
Subtotal	5,586	382	532	1,696	8,196
Total	6,367	520	780	2,510	10,177
NPDES States					
Majors					
Industrial	1,435	122	192	995	2,744
Municipal	666	316	611	1,106	2,699
Subtotal	2,101	438	803	2,101	5,443
Minors					
Industrial	18,075	2,663	4,826	14,070	39,634
Municipal	3,862	949	1,282	3,496	9,589
Subtotal	21,937	3,612	6,108	17,566	49,223
Total	24,038	4,050	6,911	19,667	54,666

Question: Do you expect to eliminate the backlog in 1985?

Answer: Our present permit strategy calls for eliminating EPA issued major permit backlog by the end of 1985. Although some minor permits will be issued, our 1985 budget includes no resources for reducing minor permit backlog. However, resources are available for issuing general permits and some portion of the minor permits would be covered as these general permits are issued. It is anticipated that minor permitting will be included in future year budgets.

ACID RAIN

Question: You are requesting $34.4 million for acid rain research in three areas: (1) to develop the necessary data to understand the sources and characteristics of acid rain, (2) to define the extent of damage, and (3) to determine the need for mitigating measures. How much will be allotted to each? How will you approach each.

Answer: The National Acid Precipitation Assessment Program supports about 300 ongoing research projects, about half of which are conducted by EPA. Funding levels in the 1985 request for the three categories are:

- Sources and characteristics of acid rain	$16.2 million
- Defining the extent of damage	$14.6 million
- Need for mitigating measures (and policy analysis)	$3.6 million
	$34.4 million

Question: Will the research be done in-house or by contract? Who will do it?

Answer: The research will be conducted in large part by organizations outside of EPA. We will award grants, contracts, and cooperative agreements competitively to academic institutions, public and private corporations, and the Department of Energy National Laboratories.

Question: How is the National Lake Survey being conducted?

Answer: The National Lake Survey is being managed by EPA employees with the work done through cooperative agreements, interagency agreements, and contracts. A pilot survey team will test logistics and sampling protocols in May of 1984. Actual testing is expected to begin in August and continue for four months. Extensive quality assurance procedures will be employed to attain a high degree of reliability for the measurements.

LIMB

Question: How much has been (a) appropriated, (b) obligated, and (c) expended to date on the Limestone Injection Multistage Burner process?

Answer: A total of $32.4 million has been appropriated for the development of the LIMB process from 1981 through 1984. Of this amount $6.5 million is for salaries and expenses and the remainder for research and development. Of the $32.4 million, appropriated, $29.3 million has been obligated and $27.5 million has been expended.

Question: How will you use the $10 million requested for this program in 1985?

Answer: The $10 million requested for 1985 will be used as follows:

a. Continue the assessment of process variables to provide the engineering data required to establish scale-up criteria.

b. Perform prototype evaluation of LIMB technology on various boiler designs to establish technically achievable levels of SO_x/NO_x controls.

c. Continue evaluation of sorbent-reaction chemistry to provide data for the optimization of the process prior to commercialization.

d. Develop a design manual and engineering criteria for applying LIMB technology to existing wall-fired and tangentially-fired utility boilers.

e. Initiate, jointly with industry, a full-scale demonstration of the LIMB technology at a wall-fired utility boiler facility.

Question: What is the projected outyear cost of the program?

Answer: At the present time our plans call for the completion of the extramural funding for accelerated research, development, and demonstration of wall-fired utility boilers by the end of fiscal year 1985; the field-testing is scheduled for completion in 1988, and therefore we will have a continuing need for personnel through completion of this phase.

Question: At this point, what conclusions are you willing to draw regarding LIMB?

Answer: To date, the feasibility of this technology has been proven on a pilot scale. Prototype testing of the process is proceeding satisfactorily. Scale-up criteria have not yet been defined. This will be completed later this year.

LIMING

Question: What is the current status of the lake liming program?

Answer: In 1984, EPA has $500 thousand available for liming research. We plan to accomplish four closely related projects:

1. We will conduct and complete the detailed design work required to implement the large National Acid Precipitation Assessment Program initiative to assess the effects of liming on lakes and streams.

The U.S. Fish and Wildlife Service will actually conduct the assessment and they have requested $5.0 million in 1985 for that work;

2. We will continue the project in the Adirondacks entitled "Evaluation of Lake Liming, Fish Stocking Strategies, and Fish Population Response in Acid Lakes Following Neutralization by Liming." This project involves ten lakes and is being closely coordinated with parallel work being done by the Electric Power Research Institute;

3. We will develop a handbook entitled "Selection Criteria for Candidate Lakes and Streams to be Treated by Liming." This handbook will summarize in detail the water quality parameters to be used in selecting lakes, the various options for the liming process, and how treatments should be carried out; and

4. We plan to develop a handbook on describing procedures to conduct studies of lakes and streams to assess the effects of liming.

Question: How much have you obligated to date in 1984 and for what purposes?

Answer: To date, we have obligated $210 thousand all in support of the detailed design work described in item 1 above.

Question: How much do you intend to obligate by the end of 1984?

Answer: It is our intention to obligate the entire amount available ($500 thousand) in 1984.

Question: What activities are projected for 1985?

Answer: As we indicated, the U.S. Fish and Wildlife Service will conduct the comprehensive national liming program in 1985. EPA expects to continue work described in items 2 through 4 above.

NATIONAL RURAL WATER ASSOCIATION

Question: How much was obligated to NRWA in 1983 and to date in 1984?

Answer: During 1983 the Agency obligated a total of $1,900,000 to the National Rural Water Association in support of training and technical assistance programs in 31 States. As of March 27, the Agency obligated $950,000 of the 1984 allocation of $1,900,000.

Question: Congress added the 1984 funding for NRWA. Did you enter into a contract or agreement with them for use of these funds?

Answer: The Agency continues to support the NRWA activities through the grant mechanism. Fifty percent ($950,000) of the 1984 funds have already been obligated and the remaining $950,000 is committed. These funds support 31 State rural water associations in their efforts to provide training and technical assistance to small rural water systems. Special programs will also be developed for use on Indian lands.

Question: Do you have a request for 1985 funding?

Answer: The Agency did not request funding for the NRWA during 1985. The Agency feels that with Federal support over the past 8 years (including 1984) the NRWA has demonstrated the effectiveness of grass roots training and technical assistance programs for small rural systems. We feel that the State associations should move towards self-sufficiency through the use of training fees and organizational dues.

CONSTRUCTION GRANTS FEDERAL SHARE

Question: How many construction grant applications do you expect to be pending at the end of 1984 when the Federal share falls?

Answer: We are aware that municipalities have submitted a larger than usual number of applications with the expectation of receiving 75% Federal assistance this year. However, we cannot predict the number of applications that might be carried over. A project which is placed by a State on the fundable portion of its annual priority list is one which the State anticipates will be funded from funds available for obligation. The municipality and State are responsible for initiating and processing as necessary application forms to allow for final EPA approval. EPA must act upon approved applications from a State within 45 days or the application is automatically approved. We anticipate that municipalities and States would seek to ensure that all such applications are processed with sufficient time to allow for funding in 1984.

Question: Do you expect much rescoping as a result of the change?

Answer: No. Projects which are on a State's priority list presumably are already well-designed and cost-effective. Moreover, the change in the Federal share was enacted in December of 1981, allowing municipalities and States to plan for a decreased Federal share for those projects which would be funded in 1985 or later.

ASBESTOS HAZARDS IN SCHOOLS

Question: How well are schools across the country complying with EPA's mandate to inspect for asbestos hazards and to notify the appropriate persons or groups if hazards are found?

Answer: As of March 23, 1984, EPA had inspected 836 Local Educational Agencies (LEAs). The violation rate for these inspections is 49%.

Question: What action is the EPA taking to insure that schools comply with the mandated inspection?

Answer: The EPA has undertaken an active compliance monitoring program. To date EPA has inspected 836 LEAs (including 2,522 individual school buildings within those LEAs) to monitor compliance with the asbestos-in-schools rule. When EPA detects a violation, EPA issues a Notice of Non-compliance (NON) to the LEA, giving the LEA 30 days from the date of receipt of the NON to comply with the requirements of the rule. If the LEA fails to comply within this period, EPA then issues a civil administrative penalty to the LEA, assessing a monetary fine for violations not corrected.

Question: Some schools have been fined in recent weeks for failing to undertake the required inspection. What is EPA planning on doing with the money collected from these fines?

Answer: In July 1983, EPA issued an enforcement response guidance document that addresses penalty assessments. These guidelines state that under certain conditions all or part of a penalty will be remitted through a negotiated settlement with conditions, provided the LEA abides by a compliance program and schedule. If the LEA fails to comply, the penalty will then be collected and turned over to the U.S. Treasury, as is standard procedure with such monetary assessments.

Question: Several senators are working on legislation to transfer authority for the asbestos removal program from the Department of Education to the Environmental Protection Agency. If this is done, is EPA ready to administer such a program? If not, how long will it be before such a program is operational?

Answer: The Federal Government has not funded an asbestos removal program. Rather, it has funded a program to provide information and technical assistance on asbestos to schools. Since EPA and the Department of Education have not funded an asbestos removal program, we cannot estimate how such a program would be administered.

Question: If Congress decides to appropriate funding for an asbestos removal program under EPA, how much will EPA be able to get out to the school districts during 1984?

Answer: Again, we have no expertise in the area of establishing a loans and grants program. Therefore, we cannot estimate how quickly or effectively such a program could be administered. Moreover, it has been the policy of the Federal Government to treat asbestos removal from schools as a local matter. This is the reason why such funding has not been provided for over four years.

Question: Is the lack of funding the reason that a number of school districts are failing to abate any asbestos hazards?

Answer: EPA believes a lack of funding, or inability to pay, may be one reason that LEA's are failing to abate asbestos in their schools. There are other equally compelling reasons such as the lack of local interest by parents. However, it should be noted that not all asbestos-containing materials warrent abatement. Often the best approach is to leave the materials in place and conduct special operations and maintenance procedures to avoid exposure to asbestos fibers. The accompanying chart provides comparisons of control methods.

Question: How is EPA currently working with schools that are interested in removing hazards?

Answer: Since March 1979, EPA has operated the Technical Assistance Program (TAP), a nationwide comprehensive effort designed to encourage States and schools to establish voluntary programs to detect and correct hazards posed by friable asbestos-containing materials. Through the TAP, EPA has provided needed technical expertise on how to identify and control these materials and has actively conducted extensive research aimed at developing state-of-the-art guidance materials and technical assistance for school officials and other building owners.

As part of the TAP, in 1979, EPA prepared and distributed to all U. S. public school districts and private schools a document entitled, "Asbestos-Containing Materials in School Buildings: A Guidance Document" (First Guidance Document). This document describes how to establish an asbestos identification and control program and provides background information for school officials on exposure assessment and control of asbestos-containing materials.

A Regional Asbestos Coordinator (RAC) was designated in each EPA Regional office to make this expertise more readily accessible to school officials. In 1980, retired professionals (generally architects and engineers) were employeed in each EPA Region as Technical Advisors to work with each RAC to offer guidance on developing and managing asbestos control programs. Over the years, these Regional resources have responded to thousands of requests for assistance. The requests have come primarily from schools but also from public and commercial building owners and managers.

In addition, EPA has actively investigated the applicability of a generic regulation that would direct schools and public and commercial building owners and managers to take corrective action when friable asbestos-containing materials were detected. EPA also examined the use of monitoring for airborne asbestos in buildings as the basis for setting a regulatory standard. However, case-by-case abatement decisions were found to be more protective of health because they treated each situation in the optimal way. Given the diversity of building configuration and use, there is no abatement option that minimizes exposure in all cases. Therefore, EPA updated the guidance used by school and building officials to make such case-by-case abatement decisions and continued technical assistance available through the RACs. EPA's latest guidance document, titled "Guidance for Controlling Friable Asbestos-Containing Materials in Buildings" (Second Guidance Document), was published in March, 1983. It summarizes the best available information, and draws on the experience of EPA Regional staff, analytical and health scientists, local school officials, and abatement contractors. The document outlines a systematic approach for building owners to follow in selecting a course of action for controlling friable asbestos-containing materials in buildings. Our information indicates that the Second Document has served as an important source of information not only for school officials, but also for building owners and managers interested in implementing an asbestos control program.

In conjunction with the voluntary program, EPA also instituted a regulatory program. EPA proposed the identification and notification rule in September, 1980; the final rule was issued in May, 1982. EPA felt that a strong technical assistance and compliance program, an emphasis on public education and awareness, and a mandatory inspection rule would ensure that public health was protected.

This rule requires public and private elementary and secondary schools in the United States to inspect all school buildings for friable materials, take samples of each type of friable material found, analyze samples to determine if asbestos is present, and keep records of the findings.

In schools with friable asbestos-containing materials, the Local Education Agency (LEA) is required to notify employees of the location of the materials, post a notice form in the primary administrative and custodial offices and faculty common rooms, provide maintenance and custodial employees with a guide for reducing asbestos exposure, and notify the parent-teacher associations of the inspection results. The rule required completion of these steps by June 28, 1983.

Following publication of the rule, EPA conducted an extensive outreach program to publicize the rule requirements and provide training to States and schools. This training included seminars for State and local health and education personnel in the EPA Regional offices and distribution of compliance assistance guidelines detailing the requirements of the rule. Finally, EPA mailed copies of the rule and the First Guidance Document to all public school districts and private schools. Schools were encouraged to consult with EPA RACs when complying with the rule and are encouraged to consult with EPA regarding corrective actions on an ongoing basis.

EPA is continuing to strengthen the asbestos-in-schools program. Currently, the Agency is conducting an extensive two-year compliance monitoring program which will address violations of the rule's requirements. Additional improvements to the program are being implemented. These include measures to increase public awareness of the Agency's concerns with regard to asbestos-containing materials, increased resources for technical assistance in each EPA Region, steps to coordinate with the Department of Education in addressing asbestos issues, and efforts to facilitate the transfer of technology from States with effective asbestos programs to other States.

Question: Approximately how many employees of EPA are working exclusively on the asbestos abatement program, either here in Washington or in field offices across the country?

Answer: In 1984, under TSCA, EPA has 23 total workyears and $1.6 million devoted to the asbestos program: 12 workyears and $600,000 in extramural support are directed to regulatory efforts; an additional 11 workyears and $1,000,000 will be expended on the asbestos-in-schools inspection program.

In 1985, EPA resources for regulatory efforts will be maintained at the 1984 level. However, resources for the compliance and enforcement program will be increased by 21 regional positions and $500,000 in extramural support.

Question: Does EPA anticipate that it will need to designate additional staff for the asbestos removal program if Congress provides the Agency with the appropriate authority to run such a program? If so, how many will be needed?

Answer: Because we have no experience operating an asbestos abatement funding program, EPA cannot estimate the resources or time-frames required to establish this program.

Question: Does EPA expect to continue consulting with the Department of Education on helping schools remove asbestos hazards? If so, what expertise from the department will be needed to help EPA administer the program?

Answer: EPA is continuing to strengthen the asbestos-in-schools program. Additional improvements to the program are being implemented. Among these is an effort to coordinate with the Department of Education in addressing asbestos issues. EPA is a member of the Department of Education Asbestos Task Force at which information is exchanged regarding asbestos abatement. EPA receives assistance from the Department of Education whenever we need to "get the word out" to LEAs.

Table 2 Comparison of Asbestos Control Alternatives

Method	Advantages	Disadvantages	Appropriate applications	Inappropriate applications	General comments
Removal	Eliminates asbestos source Eliminates need for special operations and maintenance program	Replacement with substitute material may be necessary Porous surfaces also may require encapsulation Improper removal may raise fiber levels	Always	Never	Containment barriers needed Worker protection required Wet removal is required for all types of asbestos, (amosite will not adsorb water or water with traditional wetting agents) Disposal may be a problem in some areas Unusual circumstances, complex surfaces, and the presence of utilities may require special removal techniques
Enclosure	Reduces exposure in the area outside the enclosure Initial costs may be lower than removal unless utilities need relocating or major changes Usually does not require replacement of material	Asbestos source remains and must be removed eventually Fiber release continues behind enclosure Special operations program required to control access to enclosure for maintenance and renovation Periodic reinspection required to check for damage Repair of damaged enclosure necessary Fibers released in dry form during construction of enclosure Long-term costs could be higher than removal	When materials need to be isolated from building occupants (e.g., exposed pipe) Disturbance or entry into enclosed area unlikely	Damaged or deteriorating materials causing rapid fiber release Water damage evident Damage or entry into enclosure likely Ceiling to be enclosed is low	Containment barriers needed Use of tools with HEPA filtered vacuum attachments advisable Worker protection needed

Table 2. (continued)

Method	Advantages	Disadvantages	Appropriate applications	Inappropriate applications	General comments
Encapsulation	Reduces asbestos fiber release from material Initial costs may be lower than removal Does not require replacement of material[*]	Asbestos source remains and must be removed later If material is not in good condition, sealant may cause material to delaminate Periodic reinspection required to check for damage or deterioration Repair of damaged or deteriorating encapsulated surface required Encapsulated surface is difficult to remove and may require dry techniques for eventual removal Long-term costs may be higher than removal	Material still retains bonding integrity Damage to material not likely Material not highly accessible Material granular, cementitious	Material does not adhere well to substrate Material is deteriorating or damaged, or damage is likely Water damage is evident Material is fibrous, fluffy	Containment barriers needed Worker protection needed Airless sprayers should be used Damaged pipe insulation may be taped but not sprayed Previously encapsulated materials may have to be re-encapsulated
Special operations and maintenance program plus periodic reinspection	Lowest initial cost of any alternative	Asbestos source remains Special operations program required to prevent damage of material during maintenance or renovation Periodic reinspection required to assess material condition and potential for erosion or disturbance	As a temporary measure until another alternative is selected Material in good condition and has low potential for erosion or disturbance Material is nonfriable	Material not in good condition or has high potential for erosion or disturbance	Special building cleaning practices are essential

EPA RESPONSIBILITY IN CONNECTION WITH PROPOSED DEPARTMENT OF DEFENSE DEMILITARIZATION AT LEXINGTON-BLUE GRASS DEPOT, KENTUCKY

Question: Explain which Federal and State Regulatory programs would have jurisdiction over the Defense Department's proposal?

Answer: The Department of Defense (DOD) will have to meet the requirements of the Clean Water Act, Clean Air Act, and the Solid Waste Disposal Act. Where the State has delegated status, DOD will also have to meet state requirements.

Question: Has EPA determined whether the demilitarization of obsolete munitions falls within RCRA's definition of waste disposal?

Answer: EPA believes the demilitarization of these munitions does not fall under RCRA because it does not meet the definition of a hazardous waste as defined in Part 261.30 since the waste is not ignitable, corrosive, reactive, it does not exhibit the characteristics of the EP toxicity test, nor is it listed as a hazardous waste. The residue may contain heavy metals which exhibit the characteristic of EP toxicity. If it does not it would have to be managed as a hazardous waste.

The Army Surety Plan for this operation is more stringent than current EPA requirements.

Question: If it does, would a RCRA permit cover the incineration of both the Agency and the munition that contained it?

Answer: It the residue exhibits the characteristic of EP toxicity, a RCRA permit will be required for the handling of it as a hazardous waste.

Question: Is it also your understanding that the Defense Department would have to meet all applicable 40CFR264 requirements, including those pertinent to spill contingency plans, fugitive emissions, destruction efficiencies, and residues?

Answer: It is our understanding that DOD plans to meet or exceed these standards.

Question: Does EPA have destruction efficiency standards (Part 264, Appendix 8) for the particular chemical constituents of the agent?

Answer: EPA destruction and removal of efficiencies are contained in Part 264.343. An incinerator burning hazardous waste must achieve a destruction and removal efficiency of 99.99% for each principal organic hazardous constituent designated in its permit for each waste fed. Although DOD will not require a permit as stated in question 1, they plan on removals to 99.9999% or 100 times the EPA requirement.

Question: If not, is EPA prepared to develop such standards in consultation with the Defense Department?

Answer: Because DOD policy requires 99.9999% destruction and removal efficiency, development of additional standards is not necessary. EPA has already consulted with DOD on this matter and will maintain contact.

Question: Will the Defense Department need to obtain a Clean Air Act permit for the incinerators?

Answer: Yes. This permit will have to be issued by the State of Kentucky with overview provided by EPA.

Question: Will the Defense Department have to meet New Source Performance Standards and associated ambient monitoring requirements?

Answer: Yes, if the size of the facility makes such action applicable. This will be covered by the State Implementation Plan.

Question: Should the DEIS evaluate alternative means of and locations for handling the munitions?

Answer: Yes. This is the primary purpose of the DEIS. It should lay out the different options so that their impacts can be considered in selecting an option for action.

Question: Should the DEIS discuss compliance with Federal and State regulatory requirements?

Answer: Yes. All regulatory requirements should be addressed. Ideally a table will list the necessary permits or requirements along with the status of the permit and the milestone for permit issuance. The text should include a detailed description of how the procedural and technical requirements of each permit will be met.

Question: Should the DEIS discuss the liability of the Defense Department and its contractors in the event of an accident?

Answer: Although not a specific requirement, DOD should be willing to discuss this issue in the DEIS, if that is desired.

Question: Should it discuss the contingency plans?

Answer: Yes. The plans will probably be adopted by reference, but a brief summary should be included in the DEIS.

Question: Should it indicate the number, type and location of ambient monitoring stations?

Answer: Yes. These stations should be identified and located on maps of the installation.

Senator Huddleston—Continued

Question: Should these be "real time" monitors or could the air samples be taken elsewhere for analysis?

Answer: "Real time" monitors to measure the agent and/or a surrogate chemical constitutent should be located in the stack and inside the facility. Because of the extremely low concentrations, it will be impossible to measure real time in the ambient air.

Question: Should the DEIS include design criteria for the facilities which will be used to transport the munitions, remove the agent, incinerate the agent and the containers, and dispose of the residue?

Answer: Yes. These aspects should be clearly identified. The detailed information will be included in reference documents. The technical information is more properly given in reference documents.

QUESTIONS SUBMITTED BY SENATOR LEAHY

LIDAR

Question: Was the non-compliance rate in the LIDAR memorandum brought to your attention separately from your preparation for this or any other congressional hearing?

Answer: The general issue was brought to my attention in response to questions posed by outside interest groups in late November, 1983, concerning resources dedicated to the LIDAR system. The non-compliance rate information was included in this memorandum, but was not highlighted specifically.

Question: If the non-compliance rate was not brought to your attention in the normal course of events, do you believe it should have been?

Answer: Under the normal course of events, it is the responsibility of my senior line managers to analyze such issues of non-compliance.

As I stated in my testimony I do not believe that we can rely on one report to throw into question the estimates of compliance in our budget.

It is important to realize that LIDAR's use in the past has been to inspect facilities that have a very high probability of non-compliance. It is logical that the LIDAR violation rate would be higher than the overall Agency reported rate since its function is to concentrate on documenting violations for these sources, whereas the Agency's statistics include all sources regulated for particulates under the Clean Air Act.

LIDAR is an important tool for the Agency to check for non-compliance, but it is only one of a number of tools that are available. I believe it is appropriate to use all our potential means to check for non-compliance and not rely on one means as the "last word." Using this integrated approach we are able to construct a more reliable picture of non-compliance in the nation.

Question: Does the 1985 budget propose purchasing a second LIDAR?

Answer: The National Enforcement Investigations Center (NEIC) has projected a purchase of a LIDAR in 1985 at an approximate cost of $350,000. It should be observed, however, that the addition of a second LIDAR will not necessarily result in the doubling of the number of sources to be investigated. The present instrument is more than six years old and is technologically obsolete, although still serviceable. NEIC is beginning to experience increasing maintenance cost due to age and use. Consequently, the major rationale for the purchase of a second LIDAR was largely as a replacement for the existing LIDAR. The projected operating costs (maintenance, field operations, and workyears) in 1985 are for one LIDAR system in full time use.

Question: As of this date, of the violations identified by LIDAR, what enforcement actions have been taken by any Federal or State organization?

Answer: The total number of sources investigated to date is 131. The number of enforcement actions taken by State and Federal organizations breaks down into the following:

Region/State		Enforcement Action	
II	New York	7	Notices of Violations, (4 are still pending)
II	New Jersey	2	Notices of Violations (1 is still pending)
V	Ohio	1	Federal Court Action (Contempt of Court)
V	Wisconsin	1	State Court Action
V	Illinois	5	2 EPA Notices of Violations, (1 State negotiated Consent Decree) and 3 State required stack testing
		3	Require State testing
X	Washington	1	Case filed by Region X, settled before trial with company paying penalty and installing control equipment

ENFORCEMENT STUDIES

Question: In your testimony, you mentioned that the Agency has done studies to determine what the actual compliance rate is. Please supply me a copy of each of these studies.

Answer: Briefings and discussions with Agency managers and staff have taken place concerning the need to improve the Agency's ability to better define compliance rates.

The Office of Solid Waste and Emergency Response has concluded a study which has shown high non-compliance rates with the groundwater monitoring requirements under RCRA. The results of that study are attached. The Office of Water has also completed studies to determine the compliance rate (i.e. not in significant non-compliance as defined internally by EPA) for all major permittees. This was done in two ways. The composite compliance rate was determined for all major municipal and nonmunicipal (mostly industrial) permittees based on the percent of major permittees which were not in significant noncompliance with any aspect of their effective permit or subsequent order or decree. The permittees were then divided into two groups, those which had completed construction to meet their permit limits (final effluent limits or FELs) and those which had not. Compliance rates for the permittees which had completed construction to meet their permit limits were based on the percent of these facilities which were not in significant noncompliance with their final effluent limits (FELs). Compliance rates for permittees which had not completed construction to meet their permit limits were based on the percent of these facilities which were not in significant noncompliance with each of the following:

- their construction schedule (CS)
- their interim effluent limits (IELs)
- their construction schedule or their interim effluent limits (CS/IELs)

A copy of the results as of the beginning of 1984 is attached. As you can see, the statistics have been calculated by State, Region, and Nation. These numbers have been updated slightly since the testimony due to improved information.

Question: The Internal Revenue Service provides Congress with estimates of the additional level of revenue collections that would result from increased enforcement activity. Has the Environmental Protection Agency ever estimated the impact on compliance of increasing or decreasing enforcement activities. If so, please summarize the study's results and supply me with a copy. If such a study has not been done, why has the Agency not proposed such a study in 1985?

Answer: The Agency has not attempted to estimate the impact on compliance of increasing or decreasing enforcement activities because EPA's situation is substantially different from that of the Internal Revenue Service (IRS). The IRS has principal and singular responsibility for collection of tax revenues. Development of a relationship between the number of collectors and the amount collected can be done utilizing readily acceptable estimation techniques. EPA's situation, on the other hand, is complicated due to the tripartite nature of our activities dictated by statute. First, EPA shares responsibility for initiating enforcement actions with States; second, most statutes encourage delegation of EPA's authorities to States wherever possible; and third, EPA is charged with oversight of State enforcement activities especially where authority has been delegated. In distributing enforcement and compliance monitoring resources among these three activities a delicate balance must be struck and development of a meaningful numerical relationship between EPA enforcement activities and impact on compliance is therefore considerably more complex. Additional resources devoted to State oversight or delegation might result in higher compliance overall than simply increasing Federal enforcement actions. Such judgements are best made at the Regional level on a State by State basis. Consequently each of our Regional Offices performs oversight of their State programs and tailors, to the extent possible, an appropriate balance of Federal activities.

The Office of Water Enforcement and Permits is, however, planning a study which will provide such an assessment for that media. The results of that study would be available in 1985.

COMPLIANCE
FINAL EFFLUENT LIMITS
NATIONAL TOTALS
SIGNIFICANT NONCOMPLIANCE*

	June 1981	Sept. 1981	Dec. 1981	March 1981	June 1982	Sept. 1982	Dec. 1982	March 1983	June 1983	Sept. 1983**
Major Nonmuncipals	(91%)	(84%)	(88%)	(84%)	(91%)	(88%)	(91%)	(91%)	(91%)	(92%)
Major Municipals (incl. 92-500s)	(81%)	(77%)	(82%)	(81%)	(84%)	(82%)	(84%)	(88%)	(88%)	(84%)
Major P.L. 92-500	NA	NA	NA	NA	NA	NA	(88%)	(90%)	(89%)	(87%)

COMPLIANCE WITH STATUTORY
CONSTRUCTION REQUIREMENTS

	July 1977	1978	1979	1980	1981	1982	June 1983
Major Nonmunicipal	81%	NA	82%	91%	94%	96%	96%
Major Municipals	37%	NA	47%	54%	60%	69%	69%

NA = Not available

*Rates prior to September 1982 to be consistent with significant noncompliance.

**New definition of facilities on final effluent limits.

Quarter Ends 9/30/83

MAJOR NONMUNICIPAL COMPLIANCE (COMPOSITE)

REGION/STATE		# Major Nonmunicipals	# Major Nonmunicipals in Significant Noncompliance (SNC)	Percent not in SNC
I.	Conn.	114	11	90
	Maine	32	4	87
	Mass	89	7	92
	N. Hamp.	41	3	93
	R.I.	16	1	94
	Vermont	11	1	91
	Total	303	27	91
II.	N. Jersey	203	11	95
	N. York	193	34	82
	Puerto Rico	67	11	84
	Virgin Is.	5	2	60
	Total	468	58	88
III.	Delaware	20	2	90
	Maryland	51	7	86
	Penn.	197	29	85
	Va.	70	6	91
	D.C.	3	0	100
	W.Va	69	19	72
	Total	410	63	85
IV.	AL	122	12	90
	FL	115	7	94
	GA	62	4	94
	KY	178	7	96
	MS	40	6	85
	NC	95	8	92
	SC	117	5	96
	TN	75	10	87
	Total	804	59	93
V.	Illinois	134	11	92
	Indiana	101	5	95
	Michigan	164	8	95
	Minnesota	39	4	90
	Ohio	204	7	97
	Wisconsin	71	2	97
	Total	713	37	95

REGION/STATE		# Major Nonmunicipals (excluding Federal Facilities)	# Major Nonmunicipals in Significant Noncompliance (SNC)	Percent not in SNC
VI.	AR	45	2	96
	LA	139	20	86
	NM	14	2	86
	OK	36	4	89
	TX	211	22	90
	Total	445	50	89
VII.	Iowa	33	0	100
	Kansas	15	2	87
	Missouri	50	8	84
	Nebraska	14	2	86
	Total	112	12	89
VIII.	Colorado	53	5	91
	Montana	19	0	100
	N.Dakota	7	0	100
	S.Dakota	4	2	50
	Utah	17	2	88
	Wyoming	24	0	100
	Total	124	9	93
IX.	N. Marianas Is.	2	0	100
	AS	2	0	100
	AZ	16	0	100
	California	83	6	93
	Guam	3	2	33
	Hawaii	14	1	93
	Nevada	5	2	60
	Trust Terr.	0	0	-
	Total	125	11	91
X.	Alaska	41	2	95
	ID	20	0	100
	OR	28	0	100
	WA	47	5	89
	Total	136	7	95
NATIONAL TOTALS		3640	333	91

Quarter Ends 9/30/83

MAJOR MUNICIPAL COMPLIANCE (COMPOSITE)

REGION/STATE		# Major POTWs	# Major POTWs in Significant Noncompliance (SNC)	Percent not in SNC
I.	Conn.	79	3	96
	Maine	67	7	90
	Mass	98	19	81
	N. Hamp.	44	4	91
	R.I.	20	5	75
	Vermont	32	3	91
	Total	340	41	88
II.	N. Jersey	166	29	83
	N. York	276	121	56
	Puerto Rico	31	31	0
	Virgin Is.	2	0	100
	Total	475	181	62
III.	Delaware	9	4	56
	Maryland	35	10	71
	Penn.	223	63	72
	Va.	69	5	93
	D.C.	1	1	0
	W.Va	29	15	48
	Total	366	98	73
IV.	AL	80	4	95
	FL	128	42	67
	GA	106	16	85
	KY	59	5	92
	MS	43	2	95
	NC	124	15	88
	SC	81	37	54
	TN	82	17	79
	Total	703	138	80
V.	Illinois	162	8	95
	Indiana	100	9	91
	Michigan	90	14	84
	Minnesota	52	6	88
	Ohio	157	31	80
	Wisconsin	81	2	98
	Total	642	70	89

REGION/STATE		# Major POTWs	# Major POTWs in Significant Noncompliance (SNC)	Percent not in SNC
VI.	AR	59	27	54
	LA	66	35	47
	NM	12	4	67
	OK	61	18	70
	TX	189	44	77
	Total	387	128	67
VII.	Iowa	62	5	92
	Kansas	31	1	97
	Missouri	78	11	86
	Nebraska	43	4	91
	Total	214	21	90
VIII.	Colorado	69	22	68
	Montana	26	1	96
	N.Dakota	16	1	94
	S.Dakota	26	4	85
	Utah	38	15	61
	Wyoming	17	5	71
	Total	192	48	75
IX.	N.Marianas Is.	2	2	0
	AS	2	2	0
	AZ	11	2	82
	California	133	32	76
	Guam	2	1	50
	Hawaii	9	6	33
	Nevada	6	1	83
	Trust Terr.	3	2	33
	Total	168	48	71
X.	Alaska	8	1	87
	ID	22	1	95
	OR	39	1	97
	WA	30	3	90
	Total	99	6	94
NATIONAL TOTALS		3586	779	78

Quarter Ends 9/30/83

MAJOR P.L. 92-500 COMPLETED AND OPERATIONAL PERMITTEES -
COMPLIANCE WITH FINAL EFFLUENT LIMITS

REGION/STATE		# POTWs on Final Effluent Limits for Secondary Treatment or Better	# POTWs in Significant Noncompliance (SNC)	Percent not in SNC
I.	Conn.	17	2	88%
	Maine	26	2	92%
	Mass	25	6	76%
	N. Hamp.	15	2	87%
	R.I.	8	0	100%
	Vermont	6	0	100%
	Total	97	12	88%
II.	N. Jersey	22	1	95%
	N. York	50	18	64%
	Puerto Rico	2	0	100%
	Virgin Is.	0	--	-
	Total	74	19	74%
III.	Delaware	7	3	57%
	Maryland	5	1	80%
	Penn.	59	15	75%
	Va.	37	1	73%
	D.C.	1	1	0%
	W.Va	9	4	56%
	Total	118	25	79%
IV.	AL	11	0	100%
	FL	21	5	76%
	GA	16	0	100%
	KY	22	1	95%
	MS	4	1	75%
	NC	41	4	90%
	SC	26	3	88%
	TN	17	1	94%
	Total	158	15	91%
V.	Illinois	46	3	93%
	Indiana	29	0	100%
	Michigan	23	2	91%
	Minnesota	13	1	92%
	Ohio	28	8	71%
	Wisconsin	25	0	100%
	Total	164	14	91%

REGION/STATE		# POTWs on Final Effluent Limits for Secondary Treatment or Better	# POTWs in Significant Noncompliance (SNC)	Percent not in SNC
VI.	AR	5	3	40%
	LA	4	1	75%
	NM	4	1	75%
	OK	22	3	86%
	TX	51	5	90%
	Total	86	13	85%
VII.	Iowa	17	5	71%
	Kansas	22	0	100%
	Missouri	32	2	94%
	Nebraska	23	3	87%
	Total	94	10	89%
VIII.	Colorado	22	3	86%
	Montana	11	0	100%
	N.Dakota	4	0	100%
	S.Dakota	11	1	91%
	Utah	2	1	50%
	Wyoming	6	1	83%
	Total	56	6	89%
IX.	N. Marianas Islands	0	-	-
	AS	0	-	-
	AZ	1	0	100%
	California	48	1	98%
	Guam	0	-	-
	Hawaii	0	-	-
	Nevada	2	0	100%
	Trust Terr.	0	-	-
	Total	51	1	98%
X.	Alaska	7	1	86%
	ID	11	0	100%
	OR	13	0	100%
	WA	10	0	100%
	Total	41	1	98%
NATIONAL TOTALS		939	116	88%

Quarter Ends 9/30/83

MINOR P.L. 92-500 COMPLETED AND OPERATIONAL PERMITTEES -
COMPLIANCE WITH FINAL EFFLUENT LIMITS

REGION/STATE		# Minor POTWs on Final Effluent Limits for Secondary Treatment or Better	# Minor POTWs in Significant Noncompliance (SNC)	Percent not in SNC
I.	Conn.	2	1	50%
	Maine	6	1	83%
	Mass	3	0	100%
	N. Hamp.	15	4	73%
	R.I.	1	0	100%
	Vermont	26	4	85%
	Total	53	10	81%
II.	N. Jersey	0	-	-
	N. York	18	Did not report	
	Puerto Rico	1	0	100%
	Virgin Is.	0	-	-
	Total	19		
III.	Delaware	0	-	-
	Maryland	17	4	76%
	Penn.	66	29	56%
	Va.	19	1	95%
	D.C.	0	-	-
	W.Va	18	5	72%
	Total	120	39	67%
IV.	AL	16	0	100%
	FL	2	0	100%
	GA	18	2	89%
	KY	8	1	87%
	MS	29	8	72%
	NC	26	1	96%
	SC	19	3	84%
	TN	11	6	45%
	Total	129	21	84%
V.	Illinois	45	4	91%
	Indiana	35	1	97%
	Michigan	42	5	88%
	Minnesota	21	1	95%
	Ohio	53	4	92%
	Wisconsin	49	0	100%
	Total	245	15	94%
VI.	AR	22	0	100%
	LA	29	13	55%
	NM	12	2	83%
	OK	50	13	74%
	TX	93	14	85%
	Total	206	42	80%
VII.	Iowa	115		
	Kansas	155	Did	
	Missouri	153	Not	
	Nebraska	47	Report	
	Total	470		
VIII.	Colorado	4	0	100%
	Montana	9	0	100%
	N.Dakota	74	1	99%
	S.Dakota	36	0	100%
	Utah	6	0	100%
	Wyoming	7	0	100%
	Total	136	1	99%
IX.	AS	0	-	-
	AZ	10	Did not report	
	California	34	4	88%
	Guam	0	-	-
	Hawaii	1	0	100%
	Nevada	1	0	100%
	Trust Terr.	0	-	-
	Total	46		

REGION/STATE		# Minor POTWs on Final Effluent Limits for Secondary Treatment or Better	# Minor POTWs in Significant Noncompliance (SNC)	Percent not in SNC
X.	Alaska	0	-	-
	ID	12	1	92%
	OR	52	0	100%
	WA	63	5	92%
	Total	127	6	95%
NATIONAL TOTALS				
*		1053	138	87%

* Does not include Region VII, AZ, or NY.

MAJOR NONMUNICIPAL COMPLIANCE WITH FINAL EFFLUENT LIMITS

REGION/STATE		# Major nonmunicipals on final effluent limits (excluding Federal Facilities)	# Major Nonmunicipals in Significant Noncompliance (SNC)	Percent not in SNC
I.	Conn.	89	2	98%
	Maine	29	2	93%
	Mass	83	6	93%
	N. Hamp.	32	2	94%
	R.I.	15	1	93%
	Vermont	10	1	90%
	Total	258	14	95%
II.	N. Jersey	195	9	95%
	N. York	165	29	82%
	Puerto Rico	42	8	81%
	Virgin Is.	4	2	50%
	Total	406	48	88%
III.	Delaware	17	2	88%
	Maryland	44	6	86%
	Penn.	163	26	84%
	Va.	70	6	91%
	D.C.	3	0	100%
	W.Va	67	18	73%
	Total	364	58	84%
IV.	AL	122	12	90%
	FL	114	7	94%
	GA	62	4	94%
	KY	171	6	96%
	MS	40	6	85%
	NC	91	8	91%
	SC	116	5	96%
	TN	75	10	87%
	Total	791	58	93%
V.	Illinois	128	11	91%
	Indiana	99	5	95%
	Michigan	161	8	95%
	Minnesota	39	4	90%
	Ohio	198	5	97%
	Wisconsin	71	2	97%
	Total	696	35	95%
VI.	AR	42	2	95%
	LA	120	17	86%
	NM	11	2	82%
	OK	32	4	87%
	TX	196	20	89%
	Total	391	45	88%
VII.	Iowa	32	0	100%
	Kansas	14	2	86%
	Missouri	48	8	83%
	Nebraska	13	2	85%
	Total	107	12	89%

REGION/STATE	# Major nonmunicipals on final effluent limits (excluding Federal Facilities)	# Major Nonmunicipals in Significant Noncompliance (SNC)	Percent not in SNC
VIII. Colorado	47	4	91%
Montana	19	0	100%
N.Dakota	7	0	100%
S.Dakota	3	2	33%
Utah	12	1	92%
Wyoming	22	0	100%
Total	110	7	94%
IX. N. Marianas Is.	2	0	100%
AS	2	0	100%
AZ	16	0	100%
California	80	3	96%
Guam	3	2	33%
Hawaii	14	1	93%
Nevada	5	2	60%
Trust Terr.	0	-	-
Total	122	8	93%
X. Alaska	41	2	95%
ID	20	0	100%
OR	28	0	100%
WA	47	5	89%
Total	136	7	95%
NATIONAL TOTALS	3381	292	91%

MAJOR MUNICIPAL COMPLIANCE WITH FINAL EFFLUENT LIMITS

REGION/STATE	# Major POTWs on Final Effluent Limits for secondary treatment or better	# Major POTWs in Significant Noncompliance (SNC)	Percent not in SNC
I. Conn.	73	3	96%
Maine	55	5	91%
Mass	51	6	88%
N. Hamp.	29	2	93%
R.I.	13	1	92%
Vermont	16	0	100%
Total	237	17	93%
II. N. Jersey	95	16	83%
N. York	186	66	65%
Puerto Rico	22	22	0%
Virgin Is.	0	-	-
Total	303	104	66%
III. Delaware	8	3	62%
Maryland	16	2	87%
Penn.	120	25	79%
Va.	48	4	92%
D.C.	1	1	0%
W.Va	24	10	58%
Total	217	45	79%
IV. AL	41	3	93%
FL	63	10	84%
GA	59	5	92%
KY	28	2	93%
MS	20	2	90%
NC	96	11	89%
SC	52	8	85%
TN	42	7	83%
Total	401	48	88%
V. Illinois	98	7	93%
Indiana	77	7	91%
Michigan	65	6	91%
Minnesota	34	2	94%
Ohio	48	10	79%
Wisconsin	72	0	100%
Total	394	32	92%

REGION/STATE		# Major POTWs on Final Effluent Limits for secondary treatment or better	# Major POTWs in Significant Noncompliance (SNC)	Percent not in SNC
VI.	AR	17	5	71%
	LA	32	10	69%
	NM	9	1	89%
	OK	36	6	83%
	TX	140	22	84%
	Total	234	44	81%
VII.	Iowa	39	5	87%
	Kansas	26	0	100%
	Missouri	40	7	82%
	Nebraska	37	4	89%
	Total	142	16	89%
VIII.	Colorado	56	11	80%
	Montana	17	1	94%
	N.Dakota	12	1	92%
	S.Dakota	15	1	93%
	Utah	9	1	89%
	Wyoming	8	1	87%
	Total	117	16	86%
IX.	N. Marianas Is.	0	-	---
	AS	0	-	---
	AZ	8	1	87%
	California	95	14	85%
	Guam	1	0	100%
	Hawaii	3	1	67%
	Nevada	5	0	100%
	Trust Terr.	0	-	----
	Total	112	16	86%
X.	Alaska	8	1	87%
	ID	18	0	100%
	OR	38	0	100%
	WA	24	1	96%
	Total	88	2	98%
NATIONAL TOTALS		2245	340	85%

MAJOR NONMUNICIPAL COMPLIANCE WITH CONSTRUCTION SCHEDULES AND/OR INTERIM LIMITS

REGION/STATE		# Nonmunicipals not on final effluent limits (excluding Federal Facilities)	# Nonmunicipals in Significant Noncompliance (SNC) CS/IEL/TOTAL	Percent not in SNC CS/IEL/CS&IEL
1.	Conn.	25	8 / 1 / 9	68 / 96 / 64
	Maine	3	0 / 2 / 2	100 / 33 / 33
	Mass	6	0 / 1 / 1	100 / 83 / 83
	N. Hamp.	9	0 / 1 / 1	100 / 89 / 89
	R.I.	1	0 / 0 / 0	100 / 100 / 100
	Vermont	1	0 / 0 / 0	100 / 100 / 100
	Total	45	8 / 5 / 13	82 / 89 / 71
II.	N. Jersey	8	1 / 1 / 2	87 / 87 / 75
	N. York	28	1 / 4 / 5	96 / 86 / 82
	Puerto Rico	25	3 / 0 / 3	88 / 100 / 88
	Virgin Is.	1	0 / 0 / 0	100 / 100 / 100
	Total	62	5 / 5 / 10	92 / 92 / 84
III.	Delaware	3	0 / 0 / 0	100 / 100 / 100
	Maryland	7	0 / 1 / 1	100 / 86 / 86
	Penn.	34	3 / 0 / 3	91 / 100 / 91
	Va.	0	- / - / -	-- / -- / --
	D.C.	0	- / - / -	-- / -- / --
	W.Va	2	0 / 1 / 1	100 / 50 / 50
	Total	46	3 / 2 / 5	93/ 96 / 89

REGION/STATE		# Nonmunicipals not on final effluent limits (excluding Federal Facilities)	# Nonmunicipals in Signicant Noncompliance (SNC) CS/IEL/TOTAL	Percent not in SNC CS/IEL/CS&IEL
IV.	AL	0	- / - / -	— / — / —
	FL	1	0 / 0 / 0	100 / 100 / 100
	GA	0	- / - / -	—/ — / —
	KY	7	0 / 1 / 1	100 / 86 / 86
	MS	0	- / - / -	— / — / —
	NC	4	0 / 0 / 0	100 / 100 / 100
	SC	1	0 / 0 / 0	100 / 100 / 100
	TN	0	- / - / -	— / — / —
	Total	13	0 / 1 / 1	100 / 92 / 92
V.	Illinois	6	0 / 0 / 0	100 / 100 / 100
	Indiana	2	0 / 0 / 0	100 / 100 / 100
	Michigan	3	0 / 0 / 0	100 / 100 / 100
	Minnesota	0	- / - / -	— / — / —
	Ohio	6	0 / 2 / 2	100 / 67 / 67
	Wisconsin	0	- / - / -	— / — / —
	Total	17	0 / 2 / 2	100 / 88 / 88
VI.	AR	3	0 / 0 / 0	100 / 100 / 100
	LA	19	0 / 3 / 3	100 / 84 / 84
	NM	3	0 / 0 / 0	100 / 100 / 100
	OK	4	0 / 0 / 0	100 / 100 / 100
	TX	25	0 / 2 / 2	100 / 92 / 92
	Total	54	0 / 5 / 5	100 / 91 / 91
VII.	Iowa	1	0 / 0 / 0	100 / 100 / 100
	Kansas	1	0 / 0 / 0	100 / 100 / 100
	Missouri	2	0 / 0 / 0	100 / 100 / 100
	Nebraska	1	0 / 0 / 0	100 / 100 / 100
	Total	5	0 / 0 / 0	100 / 100 / 100
VIII.	Colorado	6	0 / 1 / 1	100 / 83 / 83
	Montana	0	- / - / -	— / — / —
	N.Dakota	0	- / - / -	— / — / —
	S.Dakota	1	0 / 0 / 0	100 / 100 / 100
	Utah	5	1 / 0 / 1	80 / 100 / 80
	Wyoming	2	0 / 0 / 0	100 / 100 / 100
	Total	14	1 / 1 / 2	93 / 93 / 86
IX.	N. Marianas Islands	0	- / - / -	— / — / —
	AS	0	- / - / -	— / — /
	AZ	0	- / - / -	— / — / —
	California	3	3 / 0 / 3	0 / 100 / 0
	Guam	0	- / - / -	— / — /
	Hawaii	0	- / - / -	— / — / —
	Nevada	0	- / - / -	— / — / —
	Trust Terr.	0	- / - / -	— / — / —
	Total	3	3 / 0 / 3	0 / 100 / 0
X.	Alaska	0	- / - / -	— / — / —
	ID	0	- / - / -	— / — / —
	OR	0	- / - / -	— / — / —
	WA	0	- / - / -	— / — / —
	Total	0	- / - / -	— / — / —
NATIONAL TOTALS		259	20 / 21 / 41	92 / 92 / 84

Quarter Ends 9/30/83

MAJOR MUNICIPAL COMPLIANCE WITH CONSTRUCTION SCHEDULES AND/OR INTERIM LIMITS

REGION/STATE		# Major POTWs not on final effluent limits	# Major POTWs in Significant Noncompliance (SNC) with CS/IEL/Total	Percent not in SNC CS/IEL/CS&IEL
I.	Conn.	6	0 / 0 / 0	100 / 100 / 100
	Maine	12	0 / 2 / 2	100 / 83 / 83
	Mass	47	0 / 13 / 13	100 / 72 / 72
	N. Hamp.	15	0 / 2 / 2	100 / 87 / 87
	R.I.	7	0 / 4 / 4	100 / 43 / 43
	Vermont	16	0 / 3 / 3	100 / 81 / 81
	Total	103	0 / 24 / 24	100 / 77 / 77
II.	N. Jersey	71	5 / 8 / 13	93 / 89 / 82
	N. York	90	26 /29 / 55	71 / 68 / 39
	Puerto Rico	9	6 / 3 / 9	33 / 67 / 0
	Virgin Is.	2	0 / 0 / 0	100 /100 /100
	Total	172	37 /40 / 77	78 / 77 / 55
III.	Delaware	1	0 / 1 / 1	100 / 0 / 0
	Maryland	19	1 / 7 / 8	95 / 63 / 58
	Penn.	103	0 /38 / 38	100 / 63 / 63
	Va.	21	0 / 1 / 1	100 / 95 / 95
	D.C.	0	- / - / -	- / - / -
	W.Va	5	5 / 0 / 5	0 /100 / 0
	Total	149	6 /47 / 53	96 / 68 / 64
IV.	AL	39	0 / 1 / 1	100 / 97 / 97
	FL	65	11 /21 / 32	83 / 68 / 51
	GA	47	0 /11 / 11	100 / 77 / 77
	KY	31	2 / 1 / 3	94 / 97 / 90
	MS	23	0 / 0 / 0	100 /100 /100
	NC	28	4 / 0 / 4	86 /100 / 86
	SC	29	9 /20 / 29	69 / 31 / 0
	TN	40	2 / 8 / 10	95 / 80 / 75
	Total	302	28 /62 / 90	91 / 79 / 70
V.	Illinois	64	0 / 1 / 1	100 / 98 / 98
	Indiana	23	0 / 2 / 2	100 / 91 / 91
	Michigan	25	4 / 4 / 8	84 / 84 / 68
	Minnesota	18	0 / 4 / 4	100 / 78 / 78
	Ohio	109	1 /20 / 21	99 / 82 / 81
	Wisconsin	9	2 / 0 / 2	78 /100 / 78
	Total	248	7 /31 / 38	97 / 87 / 85

REGION/STATE		# Major POTWs not on final effluent limits	# Major POTWs in Significant Noncompliance (SNC) with CS/IEL/Total	Percent not in SNC CS/IEL/CS&IEL
VI.	AR	42	16 / 6 / 22	62 / 86/ 48
	LA	34	2 /23 / 25	94 / 32/ 26
	NM	3	2 / 1 / 3	33 / 67/ 0
	OK	25	3 / 9 / 12	88 / 64/ 52
	TX	49	5 /17 / 22	90 / 65/ 55
	Total	153	28 /56 / 84	82 / 63/ 45
VII.	Iowa	23	0 / 0 / 0	100 /100/100
	Kansas	5	0 / 1 / 1	100 / 80/ 80
	Missouri	38	0 / 4 / 4	100 / 89/ 89
	Nebraska	6	0 / 0 / 0	100 /100/100
	Total	72	0 / 5 / 5	100 / 93/ 93
VIII.	Colorado	13	9 / 2 / 11	31 / 85/ 15
	Montana	9	0 / 0 / 0	100 /100/100
	N.Dakota	4	0 / 0 / 0	100 /100/100
	S.Dakota	11	3 / 0 / 3	73 /100/ 73
	Utah	29	13 / 1 / 14	55 / 97/ 52
	Wyoming	9	0 / 4 / 4	100 / 56/ 56
	Total	75	25 / 7 / 32	67 / 91/ 57
IX.	N. Marianas Is.	2	0 / 2 / 2	100 / 0/ 0
	AS	2	0 / 2 / 2	100 / 0/ 0
	AZ	3	1 / 0 / 1	67 /100/ 67
	California	38	8 /10 / 18	79 / 74/ 53
	Guam	1	0 / 1 / 1	100 / 0/ 0
	Hawaii	6	3 / 2 / 5	50 / 67/ 17
	Nevada	1	1 / 0 / 1	0 /100/ 0
	Trust Terr.	3	0 / 2 / 2	100 / 33/ 33
	Total	56	13 /19 / 32	77 / 66/ 43
X.	Alaska	0	- / - / -	- / -/ -
	ID	4	1 / 0 / 1	75 /100/ 75
	OR	1	1 / 0 / 1	0 /100/ 0
	WA	6	1 / 1 / 2	83 / 83/ 67
	Total	11	3 / 1 / 4	73 / 91/ 64
NATIONAL TOTALS		1341	143 296 439	89 78 67

Senator Leahy—Continued

PROGRAM DELEGATIONS

Question: In your testimony, you stated that "Our responsibility is both to delegate it clearly and to oversee the states that they are doing their job." (page 43). During the last three years, the number of program delegations has expanded dramatically. In at least one case (pesticides), the General Accounting Office has found that the State enforcement programs are extremely weak. During this administration, has the Agency conducted an overall assessment or a program-by-program assessment to determine whether "they are doing their job"? If so, please supply a copy of such assessments or assessment.

Answer: The recently issued Agency Operating Year Guidance for 1985-1986 calls for EPA Regional Managers to have in place by the beginning of 1985 State "agreements" which will clearly set forth among other things: oversight criteria for defining a good State compliance and enforcement program; and criteria for direct Federal enforcement action on delegated States. This will ensure that EPA Regional and Headquarters staff are systematically evaluating each State program, based upon comprehensive and clearly established oversight criteria. Heretofore our programs have conducted annual or biennial reviews of State programs and have worked with States on a more frequent basis. However, in the absence of pre-established criteria (for example, defining what constitutes timely and appropriate enforcement responses), these evaluations have not been as effective as they might be. It is this gap that we want to fill by these new agreements.

The RCRA Program Quality Review Task Force which included State participation will soon result in this kind of guidance for evaluating State programs. I am attaching a description for your information.

In addition, we will build on our recent work with STAPPA and ALAPCO on the National Air Audit System which sets forth EPA's oversight protocols for the air program.

In 1983, the Office of Water initiated a new management system that included mid-year evaluations of all Regional water programs, including the NPDES enforcement program. These evaluations were conducted during the spring and early summer of 1983, and did identify a couple of approved State programs that were considered problems. We are continuing to work with these States to improve their programs. In 1984, the Office of Water is committed to conducting a comprehensive assessment of the NPDES program in all ten Regions. The reviews are scheduled to begin in mid-April and extend through early June, and will look at the NPDES permits, compliance and enforcement programs, as well as oversight of approved NPDES States.

RESOURCE CONSERVATION AND RECOVERY ACT

Ground-Water Monitoring Interim
Status Regulations - §§265.90-94

Evaluation of the Requirements

Phase II Report to OMB
Implementation of the Requirements

March 10, 1983

Office of Management, Information, and Analysis
Office of Solid Waste

EXECUTIVE SUMMARY

Background

- The Phase II Ground-Water Monitoring Evaluation was conducted between May 1982 and January 1983. The purpose of the study was to analyze the performance of RCRA hazardous waste management facilities in implementing first-year ground-water monitoring programs (during which background data are collected).

- A random sample of 200 facilities was originally selected for investigation. Such a random sample would have enabled extrapolations from the sample to the total population of facilities required to implement ground-water monitoring programs. The final sample of 189 facilities actually investigated differed considerably from the original random sample of 200. Therefore, extrapolations to the total population cannot be made. However, statements about the 189 facilities can confidently be made and form the basis for this report.

- Site investigations of the 189 facilities were conducted between July and September 1982. Investigations were conducted by a mix of EPA and State personnel and contractors experienced in ground-water monitoring and hydrogeologic evaluations. Major data points were verified by the EPA Regional and State Offices during January 1983.

Analysis of 189 Facilities

- Out of the 189 facilities investigated, 148 instituted detection monitoring programs; 12 instituted alternate assessment programs;

eight claimed waivers; three did nothing to comply with the regulations; and 18 were not actually required to comply with the ground-water monitoring requirements, as determined during the January data verification effort.

° The number of waivers may be underrepresented because in order to collect as much information as possible about monitoring programs some Regions tended not to select facilities for investigation if they knew that the facility had claimed a waiver.

° Of the 171 facilities required to implement ground-water monitoring programs, 62 are in total compliance with the regulations as indicated by the Regions and States during the January data verfication effort. Fifteen (15) of these facilities have come into compliance since the original data were collected.

° Of the 109 facilities that are not in total compliance:

-- 14 have deficiencies related only to recordkeeping and reporting;
-- 31 have deficiencies related to sampling and analysis procedures in addition to any deficiencies noted on recordkeeping or reporting; and
-- 64 have deficiencies related to the number, depths, and/or locations of monitoring wells in addition to any deficiencies noted on sampling and analysis procedures or recordkeeping/reporting.

° Enforcement actions have been taken or are planned by Regions/States to correct deficiencies noted at all 109 facilities not in total compliance. Specifically, there have been:

-- 36 warning letters or notices of violation issued; and
-- six (6) administrative or compliance orders issued;

In addition, there are:

-- 40 cases in which the facility is currently complying or is expected to comply shortly as a result of discussions with Regional/State staff ("voluntary compliance"); and

-- 34 cases where action will be taken if compliance does not occur by April 1983.

The numbers add up to more than 109 because more than one action has been taken or is planned at some facilities.

- Of the 148 facilities with detection monitoring programs, deficiencies were noted that include:
  - -- 36 (24%) that did not have adequate upgradient wells;
  - -- 48 (32%) that did not have adequate downgradient wells;
  - -- 37 (25%) that had problems related to sampling and analysis procedures;
  - -- 53 (36%) that did not maintain required records; and
  - -- 59 (40%) that did not submit required reports.

- Most of the 12 alternate assessment programs were initiated as a result of previous monitoring activities, required by the State, that revealed contamination. Nine (9) of the 12 facilities had prepared an assessment program plan of some sort, but only six (6) of those plans included all the required information.

- Of the eight (8) waiver demonstrations reviewed, six (6) based their waiver on the low potential for migration of wastes [§265.90(c)] and two (2) on the fact that they managed only corrosive wastes in surface impoundments [§265.90(e)]. Both corrosive waste demonstrations have been approved by the involved State. Only two (2) of the six (6) low potential for migration demonstrations included all information necessary to determine if the waiver is appropriate.

CHAPTER 1

INTRODUCTION

Background

This document presents the results of Phase II of the evaluation of ground-water monitoring regulations developed under Section 3004 of the Resource Conservation and Recovery Act of 1976, as amended (RCRA). These regulations, which are contained in 40 CFR, Part 265, Subpart F, are part of the regulations that establish Interim Status Standards for hazardous waste treatment, storage, and disposal (TSD) facilities. Ground-water monitoring requirements contained in these regulations are designed: (1) to determine whether a facility may be contaminating the ground water; (2) to learn as much about the impacts of facilities that are contaminating the ground water as is necessary to make sound judgments about the nature and extent of that contamination; and (3) to obtain information for decision-making in the permitting of TSD facilities.

The Office of Solid Waste is currently in the process of evaluating these ground-water monitoring regulations. The purpose of the evaluation is to assess the effectiveness of the regulatory program in meeting the objectives outlined above. The evaluation has been designed in three phases. A report on Phase I of the evaluation was completed and submitted to OMB on September 17, 1982. It contains analyses of regulatory programs in States that had ground-water monitoring requirements prior to the effective date of the Part 265 ground-water monitoring regulations (November 19, 1981). It also contains information on ground-water contamination incidents.

Phase II, the results of which are contained in this report, analyzed the performance of TSD facilities in implementing first-year ground-water monitoring programs, during which background data is collected. Phase III will assess the operation of full Part 265 ground-water monitoring programs after the first year, when facilities begin to determine if they are contaminating the ground water. Included in Phase III will be an analysis of costs related to ground-water monitoring programs.

Phase II Design

The purpose of the Phase II evaluation is to analyze the initial implementation of ground-water monitoring programs at interim status facilities. Specifically, this part of the evaluation was designed to collect information on the types of monitoring programs present at facilities, the number and kinds of waivers claimed, and basic levels of compliance with the regulatory requirements. Information on the nature and effectiveness of the various monitoring programs will assist in the identification of areas where there are particular problems with the regulations, as well as opportunities for improving the effectiveness of ground-water monitoring requirements.

In order to collect such information, the Agency set up a program to investigate a representative set of facilities that are required to have ground-water monitoring programs. A series of Technical Information Forms (TIF's) were developed to standardize and facilitate the data collection process. These checklists, included as appendices to the Interim Status Ground-Water Monitoring Program Evaluation Guidance Document (April 1982), were used to collect the necessary information about the ground-water monitoring programs at selected facilities.

Facility investigations were conducted between July and September 1982 by a mix of State and Federal regulatory agency personnel and EPA contractors experienced in ground-water monitoring and hydrogeologic evaluations. These investigations entailed a review of available information pertinent to the facility (e.g., Part A permit applications, consultant's reports) and a field inspection to collect additional data and verify site-specific information. Final TIF's and site inspection reports were prepared following each investigation and the data was computerized.

Sample Design/ Selection

An initial sample population of 200 facilities was chosen for site investigations. This initial sample was selected in February 1982 from EPA's computer file of roughly 2200 facilities that had indicated on their Part A permit applications that they operated processes (landfills, surface impoundments, or land treatment areas) that were subject to the ground-water monitoring requirements.* The sample was randomly selected and stratified along seven selection variables in order to assure that the sample would be representative of the total population of 2200 facilities.

The seven selection variables are: EPA Region where facility is located, process type (landfill, surface impoundment, etc.), age, size, whether the facility was in an authorized or unauthorized State, whether the facility managed waste only from onsite or accepted waste from offsite, and whether the facility was located in a State that had a ground-water monitoring program prior to RCRA.

The use of selection variables in stratifying a sample ensures that the frequencies within each variable in the randomly selected sample is representative of the frequencies found in the real world. As designed, this would have enabled EPA to make confident statements about the total population based on the data collected and analyzed from the sample of 200.

As an example of how stratification works, the geographic distribution of the sample population is a reflection of the actual number of TSD facilities in each EPA Region. This distribution by Region is shown in Table 1.

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* EPA now estimates that there are about 1350 facilities subject to the Part 265 ground-water monitoring requirements. The difference is due both to updated Part A data and regulatory changes that have exempted some facilities from RCRA.

TABLE 1

TARGET AND ACTUAL FACILITY SAMPLE POPULATIONS BY REGION

REGION	TARGET/RANDOM SAMPLE (No. of facilities)	ACTUALLY INVESTIGATED (No. of facilities)
I	13	13
II	15	26
III	16	15
IV	41	40
V	32	18
VI	49	46
VII	7	8
VIII	10	11
IX	14	9
X	3	3
TOTAL	200	189

Similarly, distributions in the sample along the other six variables reflect the real world distributions.

Problems were encountered in achieving a final sample of facilities that would be a stratified random sample. First, EPA's Part A file was not completely correct and, therefore, some of the facilities chosen by computer for investigation were not actually subject to regulation. Second, EPA Regional Offices and State Offices needed a certain amount of flexibility in choosing the sites to be investigated (e.g., they may not have wanted to revisit a facility that had just received a compliance inspection). Therefore, three alternate facilities were selected for each of the 200 selected in the original random sample. Through the use of selected alternates, the random sample could be approximated. If all four facilities were deemed to be inappropriate, the Regional or State Office was instructed to investigate a facility of their choice. Although EPA realized that the use of this final option could detract from the randomness of the sample, a decision was made that it was important to collect as much information as possible.

The final sample of 189 facilities investigated for this evaluation, however, differs considerably from the original random sample. Specifically, only 55 facilities from the original sample of 200 were investigated.

Eighty-five (85) of the investigations were completed at facilities chosen as alternates. This left 49 cases where investigations were completed at facilities chosen by Regional or State Offices. In these '9 cases, biases were undoubtably introduced that make it impossible to consider the final sample a random one.

The lack of a random sample precludes confident extrapolations from the sample of 189 to the total population of facilites that are subject to the ground-water monitoring requirements. However, EPA can and will make statistically confident statements about the group of facilities in the sample.

Therefore, statements in this report are carefully worded to avoid confusion (e.g., so many facilities out of the 189 in the sample exhibit these characteristics). The reader should take care not to assign statements in this report to the general population of hazardous waste management facilities that are monitoring the ground-water.

Analysis of Final Sample

Before performing data analysis, it is important to characterize the facilities in the final sample, especially in light of the fact that the the sample can no longer be considered a random one. This is important in order to identify types of facilities that may be over- or underestimated in the sample (e.g., if the sample included a disproportionately large percentage of landfills, it might skew the results of data analyses). The seven selection variables used to stratify the initial random sample enable us to characterize the facilities in the final sample.

Analysis of the seven variables involved comparing the frequencies of the various types of facilities investigated with the frequencies in the original random sample. Because the original random sample was designed to mirror the total population, these comparisons give a "closeness of fit" test of the final sample of 189 to the total population. (See Table 2 for the relative frequencies.)

Through such an examination of relative frequencies, we are reasonably confident that the final sample is fairly representative of the total population, at least as far as the seven variables are concerned. By this, we mean that the final sample does not appear to over- or underestimate the total population in a significant manner relative to any of the seven variables. Although we cannot show this through a formal statistical procedure because of limitations in the sample, this examination of frequencies gives us some amount of confidence in the results of our data analyses.

TABLE 2

COMPARISON OF NUMBER OF FACILITIES IN FINAL SAMPLE
TO NUMBER OF FACILITIES IN INITIAL RANDOM SAMPLE

	Initial Random Sample	Final Sample (Actually Investigated)
Landfill Only	30	21
Land Treatment Only	6	4
Surface Impoundment Only	131	115
Landfill & Surface Impoundment	18	21
Landfill & Land Treatment	4	3
Land Treatment & Surface Impoundment	8	12
Landfill, Land Treatment & Surface Impoundment	3	13
Total	200	189
In Unauthorized States	58	50
In Authorized States	142	139
Total	200	189
In States with Ground-Water Monitoring Requirements after RCRA	108	102
In States with Ground-Water Monitoring Requirements before RCRA	92	87
Total	200	189
Facility existed before 1/02/67	114	107
Facility existed after 1/02/67	86	82
Total	200	189
Onsite Facilities	172	165
Offsite Facilities	28	24
Total	200	189
Small Facilities	78	60
Large Facilities	92	117
Size not indicated	30	12
Total	200	189*

* See Table 1 for Regional frequencies.

Data Quality

A general problem encountered during Phase II relates to quality control and the final quality of the data collected during site investigations. As explained above, the site investigations were conducted by a mix of EPA staff, State staff, and contractors. While this facilitated the actual collection of information, it created problems in that the different personnel brought different perspectives and regulatory interpretations to the project. As a result, what one investigator noted as a problem might not have been noted by other investigators.

Because of this, subjective data elements have been eliminated from the evaluation results unless technical data were available to back the opinion (e.g., inspector judgment that a monitoring system is "capable" in an overall sense was eliminated; a judgment that wells are located properly was accepted if technical data backed up this judgment).

Data Verification Effort

As a result of the data quality circumstances, an effort was undertaken to verify the data collected through the 189 investigations. Sheets were prepared for each facility that summarize major data points from the completed checklists. EPA Regional and State Offices were asked to review and verify the data on the summary sheets. The review was completed in January 1983 and the results presented in this report reflect the verified data.

One result of the verification effort is that the number of facilities to be analyzed in this report has been reduced from 189 to 171. This has occurred because 18 facilities in the sample are no longer considered to be subject to the ground-water monitoring requirements. Specifically,

- Three facilities have had their waste delisted;
- Six have determined, through tests, that their waste is not hazardous;
- Five are managing their hazardous wastes in ways (e.g., tanks) that do not require ground-water monitoring;
- one has closed;
- one has had its Part A permit application withdrawn (indicating that it does not actually handle hazardous wastes);
- one has filed for the delisting of its waste; and
- one is a Superfund site and no longer active.

The verification effort also provided basic information on compliance levels and enforcement actions taken at facilities in the sample. The results indicated by this information are presented in Chapter 2.

Chapter 2 examines and characterizes the final sample of facilities investigated for this evaluation. Specifically, it analyzes the kinds of monitoring programs or waiver demonstrations found in the sample and, as indicated above, presents compliance and enforcement information.

Chapter 3 presents conclusions of the Phase II evaluation and provides directions for further analysis of the Part 265 ground-water monitoring requirements during Phase III.

CHAPTER 2

ANALYSIS OF MONITORING PROGRAMS

INTRODUCTION

The following discussion presents an analysis of the various monitoring programs in the sample population. Before any determinations of the technical merit of a given monitoring program or waiver demonstration can be made, it is necessary to review the regulatory approach of Part 265, Subpart F. In general these regulations establish a set of performance standards for the implementation of ground-water monitoring programs. As such, the regulated community was required to develop individual, site-specific programs to determine: (1) whether a facility had impacted the quality of the uppermost aquifer beneath the facility (detection program); (2) if contamination had occurred, the rate and extent of contaminant migration (alternate assessment program); or (3) if a low potential for the migration of contaminants from the facility exists (waiver demonstration).

EPA established performance standards rather than delineate exact steps that the regulated community would have to take in order to comply with the regulations. As a result, these regulations require professional judgment in the design of acceptable monitoring programs or waiver demonstrations. The regulations imply requirements (e.g., determination of the structure and composition of the water-bearing zone) which, while somewhat subjective, would be considered by qualified professionals as minimum requirements which must be executed in order to achieve the performance standards in the Subpart F regulations.

Regulatory Options Available

By November 19, 1981, members of the regulated community who were subject to the Part 265, Subpart F, ground-water monitoring requirements (i.e., all hazardous waste landfills, land treatment facilities, and surface impoundments) were to have instituted a detection monitoring program, an alternate assessment program, or were to have documented their eligibility to waive monitoring requirements.

The basic monitoring program prescribed by Subpart F, and expected to be implemented by most facility owners/operators, is the detection monitoring program. The purpose of this program is to determine if the facility may be affecting ground-water quality (§265.90).

Facility owners/operators who assumed or knew that detection monitoring would indicate contamination of the uppermost aquifer beneath the facility could implement an alternate assessment program. The purpose of this program is to determine the presence, rate and extent of migration of hazardous waste or hazardous waste constituents, and the concentrations of hazardous waste or hazardous waste constituents in the ground water [§265.90(d)].

All or part of the ground-water monitoring requirements could be waived if a facility owner/operator could demonstrate that there is a low potential for migration of hazardous waste or hazardous waste constituents from the facility via the uppermost aquifer to water supply wells or to surface water [§265.90(c)], or if the facility contained surface impoundments used to neutralize corrosive wastes [§265.90(e)].

The remainder of this chapter examines the number and kinds of monitoring programs or waiver demonstrations found in the sample. First, there is a look at the total sample. Then, compliance and enforcement information is presented. Finally, each of the three regulatory options is discussed in turn: detection monitoring, alternate assessment monitoring, and waivers. Each of these sections includes a discussion of the basic program requirements, implied program requirements, and characteristics of the sample population.

TOTAL SAMPLE POPULATION

Out of the sample population of 189 facilities, 171 are required to have ground-water monitoring programs. As explained in the Introduction, 18 facilities were identified through the data verification effort as not being subject to RCRA or specifically to the Subpart F requirements. Of the 171 facilities, 148 had instituted detection programs, 12 had instituted alternate assessment programs, and eight facilities had claimed waivers. Three of the facilities in the sample had done none of the above. (See Table 3.)

In general, this distribution was anticipated in that there are many more detection monitoring programs than the other two options. However, the number of waivers in the sample may be underrepresented because, in order to collect as much information as possible about monitoring programs, some Regions tended not to investigate facilities that they knew had claimed waivers.

COMPLIANCE AND ENFORCEMENT

The summary sheets used in the data verification effort contained a section on compliance and enforcement. The Regions or States used these sections to indicate the current compliance status of each facility and the kinds of enforcement actions taken at facilities with verified deficiencies.

Examination of the verified summary sheets shows that 62 of the 171 facilities in the study are currently in total compliance with Federal regulations or with substantially equivalent State regulations. Fifteen (15) of these facilities have come into compliance since the original data were collected between July and September 1982.

TABLE 3

PROGRAMS IN THE SAMPLE BY REGION

Region	Detection	Alternate	Waiver	None	Exempt	TOTAL
I	7	-	4	-	2	13
II	20	4	1	-	2	26
III	10	1	-	1	3	15
IV	31	2	1	1	5	40
V	16	1	-	-	1	18
VI	39	3	2	-	2	46
VII	6	-	1	-	1	8
VIII	11	-	-	-	-	11
IX	6	1	-	1	1	9
X	2	-	-	-	1	3
TOTAL	148	12	8	3	18	189

Since 62 facilities are in total compliance, 109 exhibit some degree of non-compliance with the regulations. In analyzing these 109 facilities, it is useful to distinguish among three general types of deficiencies: (1) those related only to recordkeeping or reporting, (2) those related to sampling and analysis procedures in addition to any noted on recordkeeping or reporting; and (3) those related to the number, depths, and locations of monitoring wells in addition to any noted on the other two types of deficiencies. The data from the summary sheets show that of the 109 facilities:

- 14 have deficiencies related only to recordkeeping or reporting;
- 31 have deficiencies related to sampling and analysis procedures in addition to any noted on recordkeeping or reporting; and
- 64 have deficiencies related to the number, depths, and/or locations of monitoring wells in addition to any noted on sampling and analysis procedures or recordkeeping/reporting.

Regional/State responses on the summary sheets indicate that action has already been taken or will be taken by April 1983 to bring all 109 deficient facilities into compliance.

The Regions/States also indicated specific compliance/enforcement actions planned or already taken to bring deficient facilities into compliance. These actions include:

- 40 cases in which the facility is currently complying or is expected to comply shortly as a result of discussions with Regional/State staff ("voluntary compliance");
- 36 warning letters or notices of violation;
- 6 administrative or compliance orders; and
- 34 cases in which action will be taken if compliance does not occur by April 1983.

These numbers do not add exactly to 109 because more than one action category was marked on a few of the summary sheets indicating, for example, that an administrative order was sent after compliance was not achieved through a warning letter.

DETECTION MONITORING PROGRAMS

Program Requirements

The primary regulatory requirements of Subpart F call for the installation of a ground-water monitoring system (§265.91), the development of a sampling and analysis plan (§265.92), the interpretation of monitoring data (§265.93) and the maintenance of proper recordkeeping and reporting procedures (§265.94). Ground-water monitoring systems must consist of at least four monitoring wells (one hydraulically upgradient and three hydraulically downgradient), screened in the uppermost aquifer, and located such that any contaminants emanating from a hazardous waste management facility would be detected. The upgradient well(s) must be unaffected by the facility in order to establish background ground-water quality data.

While these standards appear simple, some amount of implied technical information is needed in order to demonstrate that the standards are being met. Specifically, the following must be determined:

- the "uppermost" aquifer,
- the ground-water flow rate and direction,
- the structure and composition of the water-bearing zone,
- the locations and screened intervals of the monitoring wells, and
- the character of any potential ground-water contaminants (chemistry and density).

All of this information is necessary to determine that monitoring wells are capable of intercepting contaminants emanating from a facility.

The construction of wells is also important in determining the capability of a ground-water monitoring system to detect contamination. The wells must be screened so that the openings are set in the level of the aquifer to be sampled, and sealed to ensure that surface runoff does not enter the space surrounding the well. Proper sealing (e.g., with cement grout or bentonite slurry) is also necessary to prevent ground-water inflow from other parts of the water-bearing zone.

The regulations require that a sampling and analysis plan be developed and followed. This plan must include information on well sampling procedures, a sampling protocol, and analytical methods. Also included should be a description of the sample collection devices (e.g., bailer, type of pump), sample preparation and preservation methods (e.g., filtering, acid fixing), shipment practices, sample holding times, and proper chain-of-custody control procedures. The plan should contain data quality assurance provisions.

The well samples must be analyzed for three sets of parameters as specified in §265.92. (Refer to Table 4 for a list of these parameters.) The parameters used as indicators of ground-water contamination must be measured in replicate (four times for each sample for each quarter during the first year of monitoring) at the upgradient well(s). These replicate measurements form the basis of the statistical tests to be performed after the first year of monitoring (§265.93).

The regulations require that ground-water levels be determined prior to each sampling event, in order to verify the relative ground-water flow direction [§265.92(e)].

An outline of a ground-water quality assessment program must also be prepared [§265.93(a)]. The outline must describe a more comprehensive assessment program to be used as the basis of an assessment program if a facility finds indications of contamination. The assessment program must be capable of determining: (1) if contaminants have entered the ground water beneath the facility, (2) the rate and extent of migration of any contaminants in the ground water, and (3) the concentration of any contaminants in the ground water.

Records of well data, analytical determinations, and ground-water elevations must be maintained by the facility (§265.94). Routine reporting requirements are also specified in §265.94. In general, most data are to be reported annually except data on the Drinking Water Suitability Parameters (see Table 4), which were required to be reported quarterly for the first year only.

Sample Programs

Of the sample population of 171 facilities, 148 implemented detection monitoring programs. In analyzing these detection monitoring programs, ten major components of the regulations were reviewed. These are:

TABLE 4

RCRA REQUIRED ANALYSIS PARAMETERS

Drinking Water Suitability Parameters

Arsenic
Barium
Cadmium
Chromium
Fluoride
Lead
Mercury
Nitrate (as N)
Selenium
Silver
Endrin
Lindane
Methoxychlor
Toxaphene
2,4,D
2,4,5-TP Silvex
Radium
Gross Alpha
Gross Beta
Coliform Bacteria

Parameters Establishing Ground-Water Quality

Chloride
Iron
Manganese
Phenols
Sodium
Sulfate

Parameters Used as Indicators of Ground-Water Contamination

pH
Specific Conductance
Total Organic Carbon
Total Organic Halogen

1. The establishment of hydraulically upgradient monitoring wells;
2. The appropriateness of the upgradient wells' locations and depths;
3. The establishment of hydraulically downgradient wells;
4. The appropriateness of the downgradient wells' locations and depths;
5. The development and implementation of a ground-water sampling and analysis plan;
6. The use of appropriate sampling and analysis methods;
7. The sampling and analysis on a quarterly basis during first year;
8. The determination of ground-water surface elevations;
9. The maintenance of appropriate records; and
10. The submission of required reports.

Table 5 shows a summary of the data collected on these major regulatory components at the 148 facilities. Results on the ten components are examined in turn.

TABLE 5

SUMMARY OF MAJOR REGULATORY COMPLIANCE POINTS
FOR DETECTION MONITORING PROGRAMS

MAJOR COMPLIANCE AREA	NUMBERS OF FACILITIES	
	YES	NO
Upgradient Wells Installed	117	31
Properly Located	112	36
Downgradient Well Installed	112	36
Properly Located	100	48
Ground-Water Sampling and Analysis Program Established	128	20
Adequate Sampling and Analysis Techniques	111	37
Quarterly Sampling and Analysis	113	35
Ground-Water Elevation Measurements Recorded	113	35
Monitoring Records Maintained	95	53
Submitted Required Reports	89	59

Upgradient Wells Installed and Properly Located

As shown in Table 5, 31 facilities in the sample did not install wells that were upgradient from the waste management area of the facility. An additional five facilities installed wells upgradient, but for other reasons did not meet the performance standard that upgradient wells produce samples from the uppermost aquifer, representative of background ground-water quality, and not affected by the facility. Problems occurred in meeting the performance standard in some cases because facilities did not locate well screens in the uppermost aquifer. In others, facilities did not construct wells properly to assure that samples taken would be representative of background water quality.

Certain problems were encountered at some of these facilities that explain why they appear deficient. These problems relate mostly to the physical setting of the facility.

A few facilities in the sample are located on hills. In such situations, any wells located around the facilities are hydraulically downgradient. As the wells could be affected by contaminants emanating from the facility, they cannot be used for the RCRA required upgradient ground-water monitoring.

Some facilities in the sample are located in tidal areas or adjacent to rivers that exhibit stage fluctuations. In these situations, the directions of ground-water flow are altered as a result of water-level elevation changes in the surface system. During high tide or river stage, the ground-water levels rise due to increased recharge from the surface water system. The effect of this is higher water levels near the surface water body, with the inland areas being downgradient. At low tide or during low river stage, the hydraulic gradients are reversed; that is, the higher water levels occur inland and the water body is downgradient. The difficulties of locating a monitoring well that remains upgradient throughout the year are apparent at such sites.

Approximately one quarter of the 36 facilities that the data show did not properly install upgradient wells exhibited one of the problems outlined above. The Part 265, Subpart F regulations do not address situations such as these where upgradient background water-quality monitoring cannot be conducted onsite. EPA and the States are currently addressing these situations on a case-by-case basis. In addition, we will look further into these regulatory problems during Phase III of this evaluation effort.*

Downgradient Wells Installed and Properly Located

Table 5 shows that 36 facilities in the sample did not install wells hydraulically downgradient from the facility. Twelve (12) additional facilities installed wells downgradient from the facility, but the wells did not meet the performance standard for downgradient wells that they be able to detect contaminant emanating from the facility.

Many of the deficiencies noted at the 36 facilities stemmed from the fact that the facility had inadequately characterized the ground-water flow direction. As a result, the wells at these facilities were not located in line with the projected plume migration patterns and, therefore, might not detect contaminants emanating from the facility.

Another problem experienced by about one quarter of the 48 facilities with downgradient well deficiencies related to well screens. In these cases, the well screens were not located at depths that would intercept contaminants. Well screens set either too high or too low in the saturated zone may fail to detect contamination because of density differences or ground-water flow peculiarities.

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* In the Part 264 permitting requirements for land disposal facilities, EPA addressed this problem by providing a variance from the general requirement that background ground-water quality be based on upgradient wells. Such a variance is appropriate where hydrogeologic conditions do not allow the owner or operator to determine what wells are upgradient or where sampling at other wells will provide an indication of background ground-water quality that is as representative or more respresentative than that provided by upgradient wells.

Sampling and Analysis Plan/ Parameters

As shown in Table 5, 20 facilities did not develop or have onsite a sampling and analysis plan. An additional 17 facilities that had developed plans did not include all the required information in the plan.

Many of the facilities in the sample did not have their samples analyzed for the entire suite of parameters required by RCRA. Over half of these deficiencies were related to the lack of the radio-nuclei parameters (Radium, Gross Alpha, and Gross Beta). In addition, many facilities (about one third) did not analyze for the pesticides (Methoxychlor, 2,4,D, 2,4,5-TP Silvex, Lindane, and Endrin).

Most of the facilities failing to analyze for these two groups of parameters did not do so because they do not manage wastes that contain those waste constituents. In light of the fact that the tests are expensive, these facilities felt strongly that they should not have to analyze for parameters if there was no chance of their occurrence.

Quarterly Sampling

Table 5 shows that 35 facilities did not sample quarterly as required by Subpart F. Some of these facilities were not sampling every three months. Other facilities, however, were sampling on a quarterly basis, but began their monitoring program too late to have completed the required number of samplings. In these cases, a facility may have completed only one sampling, where it was required to have two or three completed at the time it was investigated.

Ground-Water Elevations

Thirty-five (35) facilities in the sample did not keep records of their ground-water elevation measurements. However, all but a few facilities indicated in their sampling and analysis plan that water elevation measurements would be made prior to sampling. This would indicate that the problem noted by the data is more of a recordkeeping problem than one of measuring ground-water elevations. Nonetheless, recording this measurement remains important in that one of its main purposes is to note changes over time in water elevations that may indicate changes in ground-water flow patterns.

Recordkeeping/ Reporting

The adherence to proper recordkeeping procedures was found to be inadequate at 53 facilities in the sample. The majority of recordkeeping problems, as noted above, related to the absence of water elevation records. The remaining facilities had deficiencies in recording water quality analyses.

At 59 facilities, deficiencies were noted relative to the reporting requirements. While some of these facilities were not reporting data and analyses at all, others were simply behind in their schedule of reporting (i.e., facilities that should have submitted two or three quarterly reports had submitted only one or two).

ALTERNATE ASSESSMENT PROGRAMS

Program Requirements

If an owner/operator of a hazardous waste facility knows or assumes that ground-water monitoring would show that the ground water beneath the facility has been contaminated, he or she has the option of implementing an alternate assessment program. The purpose of this monitoring program is to determine the presence, rate and extent of migration of hazardous waste or hazardous waste constituents in the ground water, and the concentrations of hazardous waste or hazardous waste constituents in the ground water.

Specific program requirements include the following:

1. If an alternate assessment program is selected, the owner/operator must have submitted to EPA or the State, by November 19, 1981, a plan, certified by a qualified geologist or geotechnical engineer [§265.90(d)], which specifies:

   - the number, location, and depth of wells;

   - sampling and analytical methods for those hazardous wastes or hazardous waste constituents in the facility;

   - evaluation procedures, including any use of previously-gathered ground-water quality information; and

   - a schedule of implementation.

As indicated, facilities must develop a sampling protocol based on the waste stream at the site. As a result, facilities in an alternate assessment program generally analyze for a different set of parameters than that required under the basic detection monitoring program.

2. The owner/operator, not later than November 19, 1981, must have initiated determinations regarding the rate and extent of contaminant migration and the concentration of hazardous constituents in the ground water. Such determinations must have been completed as soon as technically feasible.

3. The owner/operator must submit a written report containing these determinations and an assessment of ground-water quality to EPA or the State within fifteen days of completion of the above determinations.

4. The owner/operator must continue to make determinations of the rate and extent of contaminant migration and the concentration of hazardous constituents in the ground water on a quarterly basis until final closure of the facility.

5. The owner/operator must keep records of the analyses and evaluations specified in the plan throughout the active life of the facility, and for disposal facilities, throughout the post-closure care period as well.

6. The owner/operator must submit annually to EPA or the State a report containing the results of his/her ground-water quality assessment program, including the calculated rate of migration of hazardous waste or hazardous waste constituents in the ground water during the reporting period.

The development and implementation of an alternate assessment program entails a thorough evaluation of the hydrogeologic properties of the subsurface materials at a site. The water-bearing properties of the subsurface materials are especially critical to determine in order to adequately assess the migration of contaminants in the ground water.

Frequent water-level measurements are also necessary to determine fluctuations in ground-water elevation. These are important in determining hydraulic gradients which are used in establishing the direction and rate of ground-water flow.

Consideration must also be given to the degree to which the subsurface materials might dilute or disperse hazardous waste constituents that are introduced into the subsurface environment. This characterization is an important component in determining the extent of contaminant migration.

Using these evaluations of the subsurface environment, the owner/operator of a facility must locate monitoring wells such that, by their position on the surface and the depths of the well screen, the extent of the contaminated ground water can be determined.

Sample Programs

Many of the 12 facilities in the sample that have instituted alternate assessment programs have done so at the insistence of State or Federal regulatory agencies. In many cases, facility owner/operators had already undertaken ground-water contamination studies and used these to satisfy the requirements for alternate assessment programs. Eight of the 12 facilities are located in States that had some ground-water monitoring requirements prior to RCRA's.

Eleven of these facilities have surface impoundments, most with only a single liner, if any at all, of bentonite clay or a synthetic material. The number of wells at these sites ranges from zero to 21. Seven of the 12 sites have 10 or more wells.

Summary information about the locations of facilities, types of processes they contain, and the number of wells at each site can be found in Table 6.

The 12 facilities that compose the alternate assessment program sample population were reviewed for the presence of seven regulatory components. These are:

- The presence of the alternate assessment program plan;
- The content of the alternate assessment program plan:
    - -- the inclusion of all required information;
    - -- the inclusion of information that will allow the determination of the presence, rate and extent of contaminant migration, and of the concentrations of hazardous waste or hazardous waste constituents in the ground water;
- the expedience of technical determinations;
- the determination of contamination of the ground water beneath the site;
- quarterly determinations;
- the reporting procedures; and,
- the maintenance of all required records.

TABLE 6

ALTERNATE ASSESSMENT PROGRAMS IN THE SAMPLE

Facility	Location	Process types	Number of wells
1	NJ	SI	11
2	NJ	SI	3
3	NJ	SI	13
4	NY	SI	11
5	WVA	SI	11
6	FL	SI	10
7	FL	SI	6
8	IN	LF	5
9	LA	SI	7
10	TX	SI, LF	13
11	TX	SI, LF	0*
12	CA	SI	21

* This site has no RCRA wells but has been judged by the State in which it is located to be in compliance with the ground-water monitoring requirements based on the installation and use of lysimeters.

Nine of the 12 facilities had prepared, and had onsite, alternate assessment program plans. Six of these nine included all the required information. One other facility prepared a plan that contained most of the required information. In most of the cases where this information was not present, the alternate plans were deficient in information characterizing the subsurface and hydrogeologic conditions beneath the sites. In reviewing an alternate assessment program, incomplete subsurface information precludes making any determinations about the capability of such programs to function at the level the RCRA regulations require. In these cases, the ground-water monitoring well locations and screen settings cannot be completely evaluated for their effectiveness in tracking ground-water contaminant plumes.

Of the 12 sample facilities, nine had begun water-quality sampling for purposes of determining the presence of contamination at the site. Ten had completed the process and had determined contamination to be present. Only seven of these, however, were judged by the reviewers to have made the first determinations as soon as was technically feasible.

The reporting requirements were being adhered to at four sites, while the requirements were not considered to be applicable at three other sites. This was due to pending negotiations between the facilities and either the Region or State concerning the status of each facility under the RCRA program.

Ten of the facilities were maintaining ground-water monitoring records.

WAIVER DEMONSTRATIONS

Introduction

Eight of the facilities in the sample chose to demonstrate that they are eligible for waivers. Four of these facilities are in Connecticut, two are in Texas. Mississippi and Missouri each had one waiver demonstration in the sample.

Of the eight facilities in the sample that were claiming eligibility for waivers, two facilities were doing so under authorized State regulations substantially equivalent to §265.90(e), which allows a waiver at surface impoundments used to neutralize corrosive wastes. The other six were claiming eligibility for waivers under §265.90(c), or substantially equivalent State regulations, which allows waivers on the basis of low potential for migration of hazardous wastes or hazardous waste constituents from the facility via the uppermost aquifer to water supply wells or to surface water.

Only two of the eight sites were from areas in which climatic and hydrogeologic conditions would be ideal for waiving the requirements. Surprisingly, a number of the facilities claiming waivers under §265.90(c) are located in the humid, eastern sections of the country, where climate and hydrogeology do not easily lend themselves to conditions where eligibility for waivers could be justified.

Waivers under §265.90(e)

Program Requirements

Under this section, a facility owner/operator can claim eligibility for a waiver from the requirements if the waste management component consists of surface impoundments that are used to neutralize corrosive wastes, if the surface impoundment contains no other hazardous wastes, and if the facility owner/operator demonstrates that there is no potential for migration of hazardous wastes from the impoundment. The demonstration, which must be written and certified by a qualified professional, must show that the wastes will be neutralized to the extent that they no longer meet the corrosivity characteristic before they can migrate out of the impoundment.

Sample Programs

The State of Connecticut, in which these two facilities are located, has determined that both of these facilities meet all of the State's requirements for eligibility for waivers. These requirements are substantially equivalent to §265.90(e).

Waivers under §265.90(c)

Program Requiremets

A waiver demonstration under this section must fulfill the following requirements.

1. It must be in writing and kept at the facility.

2. It must be certified by a qualified geologist or geotechnical engineer.

3. It must establish the potential for migration of hazardous waste or hazardous waste constituents from the facility to the uppermost aquifer.

   To satisfy this requirement, a facility owner/operator must conduct a water balance and a study of the unsaturated zone characteristics beneath the facility.

   A water balance provides information about surface water infiltration through an analysis of precipitation, run-off and evapo-transpiration.

   The purpose of this type of analysis is to determine how much water infiltrates the waste. This provides an indication of how much leachate could be generated at the facility.

   A study of unsaturated zone characteristics (i.e., geologic materials, physical properties, and depth to ground water) provides information about the permeability of the geologic formations under the facility and the vertical distance to ground water. This provides an indication of whether and how quickly leachate from a facility will reach ground water.

4. It must establish the potential for hazardous waste or hazardous waste constituents that enter the uppermost aquifer to migrate to a water supply well or surface water.

   To satisfy this requirement, a facility owner/operator must determine the potential for migration of hazardous waste or hazardous waste constituents to water supply wells or surface water once waste reaches the aquifer. To demonstrate low potential for migration, a facility owner/

operator must evaluate the characteristics of the saturated zone beneath the facility and the promixity of water supply wells or surface water.

A study of saturated zone characteristics provides information about the geologic materials, physical properties of the aquifer (e.g., permeability), and about how fast the flow of ground water is within the aquifer. This provides information on how far and how quickly contamination can be expected to move within the aquifer.

Using information about saturated zone characteristics and about the proximity of water supply wells and surface water, a facility owner/operator can determine the possibility of migration of hazardous waste or hazardous waste constituents from the aquifer to these wells and surface water bodies.

Sample Programs

The State of Connecticut has determined that two of the facilities in the sample that were claiming eligibility for waivers are not eligible. These two facilities are installing ground-water monitoring systems.

All four of the remaining waiver demonstrations fulfilled the first two requirements above; they were in writing, kept at the facility, and certified by a qualified professional.

In terms of satisfying the conditions to meet the third requirement, demonstrating low potential for migration of hazardous wastes to ground water, three of the four facilities provided all of the information necessary to determine water balance. The other facility did not conduct a water balance in support of its waiver. All four of the facilities conducted studies and provided information about unsaturated zone characteristics.

To satisfy the fourth requirement, demonstrating low potential for migration of hazardous wastes via the uppermost aquifer to water supply wells or surface water, facility owners/operators needed to provide data on saturated zone characteristics and closeness to water supply wells or surface water. All four of the facilities conducted studies of saturated zone characteristics. However, only two facilities established these characteristics by analyzing all three areas necessary (i.e., geologic materials, physical properties, and rate of ground-water flow). Another facility provided data on geologic materials only. Only three of the four facilities provided documentation on the proximity of the facility to water supply wells or surface water.

According to the data collected and the analysis performed as part of this evaluation, only two of the facilities appear to adquately show low potential for migration of hazardous wastes. These facilities are located on thick deposits of low-permeability silts and clays. The ground water at these facilities is relatively deep, 60 to 185 feet below the surface. These are favorable conditions for waiver eligibility. The remaining facilities are located on assorted sand and clay deposits that are not considered adequate to preclude the migration of any contaminants coming from the facilities.

FACILITIES WITH NO MONITORING OR WAIVER DEMONSTRATION

Three facilities in the sample had taken no action to institute a monitoring program or to demonstrate eligibility for a waiver.

At one facility, the owner/operator had submitted a Part A application that indicated that the facility had a surface impoundment. The facility owner/operator now states that the facility contains a tank, not a surface impoundment, and, therefore, is not subject to the ground-water monitoring requirements. This situation is being reviewed by the regulatory authority in the authorized State in which the facility is located.

At another facility, the company had a leachate collection and underground drainage system in place which company officials believed served the same function as ground-water monitoring. The State in which the facility is located has decided that the facility needs to install a ground-water monitoring system. The facility has hired a consultant to develop a proposal for a system, which will need to be approved by the State. The system will be in place by July 1983.

In the third instance, although the facility has not instituted a ground-water monitoring system according to the RCRA regulations, the facility has installed a leak detection system that measures any increase in moisture in the unsaturated zone. The investigation done as part of this evaluation indicates that the system, in theory, should be able to detect leakage from the surface impoundments. This facility had petitioned for and received a waiver from ground-water monitoring requirements from the State in which it is located about a year-and-a-half ago; the State was not authorized at the time. The Region is looking into this situation.

CHAPTER 3

PHASE II CONCLUSIONS AND DIRECTIONS FOR PHASE III

This chapter presents conclusions of Phase II of the evaluation of the interim status ground-water monitoring requirements. It also outlines the directions to be taken and issues to be addressed during Phase III.

CONCLUSIONS

Conclusions from Phase II fall into two general categories: compliance/ enforcement and regulatory issues/problems. Each of these categories is presented in turn.

Compliance/Enforcement

- There has been considerable non-compliance with the RCRA interim status ground-water monitoring requirements (Part 265, Subpart F). Non-compliance rates identified through this evaluation show that over 60 percent (109 of 171) of the facilities investigated were deficient on some part of the ground-water monitoring regulations. The types of deficiencies range from being very minor (14 had only recordkeeping or reporting problems) to doing nothing (three facilities). Specific problems noted at facilities that have implemented basic detection monitoring programs (148 of the 171) include:

  -- 36 (24%) facilities did not have adequate upgradient wells;
  -- 48 (32%) facilities did not have adequate downgradient wells;
  -- 37 (25%) facilities had problems related to sampling and analysis procedures;
  -- 53 (36%) facilities did not maintain required records; and
  -- 59 (40%) facilities did not submit required reports.

- EPA and State Offices are taking necessary enforcement actions to bring deficient facilities into compliance. Specific enforcement actions taken include:

  -- 36 warning letters or notices of violation issued, and
  -- six (6) administrative or compliance orders issued.

  In addition, there are:

  -- 40 cases in which the facility is currently complying, has complied with some parts of the requirements, or is expected to comply shortly as a result of discussions with Regional/State staff ("voluntary compliance"), and
  -- 34 cases where action will be taken if compliance does not occur by April 1983.

To date, these actions have resulted in bringing 15 deficient facilities into total compliance since the original data were collected between July and September 1982.

Regulatory Issues/Problems

- Problems related to the determination of upgradient monitoring wells occurred at some facilities in the study. The Subpart F regulations require the use of at least one upgradient well to determine the background water quality of the uppermost aquifer underlying the facility. A few facilities in the study are located on hills such that any wells located around them are hydraulically downgradient. Some other facilities are located in tidal areas or adjacent to rivers that exhibit stage fluctuations. In these situations, the directions of ground-water flow are altered as a result of water-elevation changes in the surface water system. Facilities in either of these situations cannot place wells that are always upgradient and, therefore, are not able to comply with this part of the regulations.

  The Part 265, Subpart F regulations do not address situations such as these where upgradient background water-quality monitoring cannot be conducted onsite. EPA and the States are currently addressing these situations on a case-by-case basis in an attempt to locate wells that can serve to establish background ground-water quality.

  The Part 264 permitting standards provide for a variance in such situations that allows for the use of other than upgradient wells to establish background. The need to similarly revise the Part 265 standards, however, is unclear. EPA and the States appear to be exercising appropriate flexibility in these cases. In addition, the issue will become moot over time as these high priority facilities are permitted.

  We will continue to keep abreast of this issue during the next phase of this evaluation. Specifically, we will look more closely at the need for regulatory revisions and/or guidance.

- The parameters to be analyzed for as required by RCRA present problems for some facilities. Many of the facilities in the study did not have their first-year ground-water samples analyzed for the radio-nuclei and pesticide parameters. Most of these facilities do not manage wastes that contain those waste constituents. In light of the fact that these tests are expensive, the owners/operators of these facilities felt strongly that they should not have to analyze for parameters if there is no chance of their occurence in ground water as a result of their facilities' operations.

Some of the first-year ground-water monitoring parameters, including the radio-nuclei and pesticide parameters, serve the purpose of characterizing the quality of the aquifer below the facility, independent of the facility's impact on the aquifer. For those parameters, a waiver based on the characteristics of the waste disposed at the facility is not appropriate. Since the regulations only required analysis of these parameters during the first year of monitoring [265.92(c)], this perceived problem is essentially moot.

DIRECTIONS/ISSUES FOR PHASE III

Phase III of the ground-water monitoring evaluation will assess the operation of full interim status ground-water monitoring programs after the first year, when facilities performing detection monitoring begin to determine if they are contaminating the ground water. Phase III will be undertaken during the next year, although no specific milestones have been established. Issues to be addressed in Phase III include:

° Problems related to the installation of upgradient wells and their use for establishing background ground-water quality;

° The quality of ground-water monitoring data and the extent of its use in permitting and enforcement activities;

° The appropriateness and effectiveness of the statistical tests and procedures required by Part 265, Subpart F (EPA has already begun a study of this issue which should be completed by Fall 1983);

° Differences, both positive and negative, among Regional and State strategies for implementating the ground-water monitoring requirements;

° The capability of ground-water monitoring systems to detect contaminants emanating from facilities;

National Air Audit System Guidelines for FY 84

Control Programs Development Division

November 1983

1. INTRODUCTION

This audit manual was developed through the joint efforts of State and Territorial Air Pollution Program Administrators (STAPPA), Association of Local Air Pollution Control Officials (ALAPCO), and Environmental Protection Agency (EPA). The project was directed by a work group composed of members from the three organizations. The audit guidelines in this manual were written by four subcommittees of this work group. The program areas selected by the work group for development of audit guidelines were: (a) air quality planning and SIP activity, (b) new source review, (c) compliance assurance, and (d) air monitoring. The subcommittees were chaired by State agency personnel with EPA staff serving as expeditors. All State agencies, local agencies, EPA Regional Offices, and EPA Headquarters were provided an opportunity to comment on a draft version of these audit guidelines. This manual, from concept to finished product, is the result of a cooperative effort between State agencies, local agencies, and EPA. While it necessarily reflects a compromise between the competing interests of depth of analysis, breadth of review, and resources to accomplish the audit, it does represent the "real world" ideas of people who actually implement the duties.

The need for a National Air Audit System (NAAS) became apparent with the increased delegation of responsibility to State and local air pollution control agencies. As a first step in developing the audit program, representatives of STAPPA, ALAPCO, and EPA met in late 1982 to discuss the concept. In April 1983, the group met again to identify the essential elements and appoint the subcommittees to write the audit guidelines. The work group met for a third time in October 1983 to discuss the implementation of the FY 84 National Air Audit System.

Auditing of State and local agencies is not a new activity as the EPA Regional Offices have been conducting some form of evaluation and audit for many years. However, the frequency, depth, and procedures for conducting these audits have varied greatly from Region to Region within EPA and even State to State within the Regions. This was reflected in a survey report that EPA's Office of Air Quality Planning and Standards (OAQPS) issued on the EPA Regional Office air audit programs (Survey of Regional Air Audit Programs, June 1983). Prior to this survey, however, the State and local agencies had begun expressing concern over the Regional inconsistency of the oversight programs. The general tenor of the comments was that EPA should develop uniform evaluation criteria that would be applied on a national basis. From this beginning came the National Air Audit System and the FY 84 audit guidelines contained in this document.

The three meetings mentioned earlier resulted in important guidance agreements that will formulate EPA policy in initially applying these guidelines. These agreements are discussed below:

- EPA will hold multi-Regional workshops to ensure Regional consistency in the performance of the audits (tentatively scheduled for mid-January 1984).
- EPA Regional Offices will select the composition of the audit teams. A crossover team approach (State/local and outside Regional Office representatives) is possible for FY 84 if Regions and affected States so desire.
- Regional Offices will audit all State agencies in FY 84 and local agencies that are funded directly by EPA with Section 105 grant funds. All four audit guidelines will be applied to each audited agency (to the extent that the agency is responsible for the four programs).
- Corrective actions for deficiencies uncovered will be initiated through existing mechanisms, i.e., 105 grants, State/EPA agreements, etc.
- The national FY 84 schedule calls for the audits to be conducted by April 30, 1984, for EPA Regional Offices to forward a draft report for review and comment by the State and local agencies by June 30, 1984, and a final report prior to September 30, 1984.
- Regions will use uniform questionnaires compiled from the audit guidelines. (These will be available in January 1984).
- The OAQPS will prepare a national report based upon the results of all Regional audits. The national report will not rank agencies or focus on deficiencies of specific agencies. Drafts of the national report will be reviewed by EPA Regions and representatives of STAPPA and ALAPCO.
- The NAAS will replace current Regional Office air program audit activities. It may not, however, replace the 105 grant evaluations that are specified in the grant regulations. Regions have the flexibility to expand the audit to address additional topics or to explore specific areas in more detail, subject to negotiations with individual States.
- When fully developed, the NAAS will eliminate the need for much of the "item by item" Regional Office oversight on certain State and local agency programs. However, the NAAS will not be a substitute for the necessary flow of communications between State/local agencies and EPA Regional Offices.

GOALS AND OBJECTIVES OF THE NATIONAL AIR AUDIT SYSTEM

The purpose of developing national audit guidelines is to establish standardized criteria for the EPA Regions' audit of State air program activities. The primary goals of this program are to determine the obstacles (if any) which are preventing the State or local air pollution control agencies from being as effective as possible in their air quality management efforts and to provide EPA with quantitative information on how to define more effective and meaningful national programs. States are playing a larger role than ever in the planning and implementation of complex, and often controversial, air pollution control strategies. EPA oversight of these and related activities is necessary for assuring national consistency and for assisting the States in resolving identified problems. The EPA and States can also use these audit results to assure that available resources are being focused toward identified needs (e.g., attainment and maintenance of standards, adoption of regulations, implementation of regulations and technical analyses to support control strategy development).

The EPA also hopes to share the results of these audits in a manner that permits the "cross-fertilization" of innovative approaches and systems across States and Regions. Only through this national exchange can we hope to benefit from the invaluable experiences gained to date by control agencies in carrying out the requirements of the Clean Air Act.

This audit guideline outlines a program which EPA, State, and local air pollution control agencies can jointly use to:

- Meet statutory requirements;
- Assist in developing at least a minimally acceptable level of program quality;
- Allow an accounting to be made to the Congress and the public of the achievements and needs of air pollution control programs;
- Enable EPA, States, and local agencies to agree on needed technical support and areas where program improvements (including regulatory reform) should be made. This includes improvements to both EPA and State/local programs; and
- Maximize and effectively manage available resources, within the State and local agencies and EPA, resulting in expeditious attainment and maintenance of ambient air quality standards as soon as possible.

State, local, and EPA Regional Offices, working together, may identify items in addition to those of the national program which are worthy of further audit attention. In making such an identification, both the EPA Regional Office and the State/local agency should understand in advance what the reasons are and what the objectives and expected result(s) of this expanded review will be. Also, the NAAS is not intended to preclude EPA Regions from dealing, on a case-by-case basis, with significant deficiencies which are identified during the course of the audit.

The NAAS builds upon oversight procedures already in use in EPA Regional Offices. In addition, the guidelines and the audit itself are not a substitute for the necessary daily flow of communication between State/local agencies and EPA Regional Offices. It is expected that the preparation for the audit (see Audit Protocol) will utilize reports currently available from State and local agencies to EPA as fully as possible, and that EPA will work to minimize the demands on State or local staff time in conducting the audit. It is also expected that each State and local agency will cooperate with EPA during the onsite audit visit.

EPA, State, and local agencies should keep in mind that the audit is intended to improve the overall quality of air pollution control programs. This intent of improving overall performance needs to be clearly understood. The standards of performance outlined by these guidelines are not so rigid that they eliminate the flexibility afforded by the Clean Air Act. Also, these guidelines should not be construed to establish performance standards which must absolutely be achieved in practice. Moreover, while participating agencies will use the audit to point out where opportunities exist for State or local improvements, the audit is not expected to address every problem. However, EPA will continue to search for and disseminate information about better ways of consistently, effectively, and efficiently implementing a comprehensive air pollution control program. This includes possible reforms of EPA's requirements where feedback from the audits suggests that certain requirements detract from program effectiveness.

AUDIT PROTOCOL

Each Regional Office must tailor the structure of the audit according to the particular characteristics of the State and local agencies in the Region and its own operating procedures. However, certain elements and a number of procedural steps have been found useful by most Regions in conducting a successful audit. These are discussed below.

Advance Preparation

A letter should be sent to the agency well in advance of the audit. The letter should confirm the date and time of the audit (see Onsite Visit), and describe what resources the State is expected to provide, such as office space and staff time. This letter should also identify the name and title of each individual who will comprise the audit team. The EPA Region will provide the control agency with a nationally prepared checklist or questionnaire to supplement the audit guidelines. This should be sent to the State or local agency about a month in advance of the audit and, thus, will allow the agency to better prepare for the audit. It is recommended that the State or local agency fill out the questionnaire in advance, as a time saving measure, even though the auditor will go over the questionnaire during the audit. This audit information should be readily available, although it may require time to gather and compile, and should be given to the auditors when they arrive at the agency.

Onsite Visit

The primary purposes of the onsite visit are to:

- Engage in a broad discussion with agency staff to gain insight into any recent changes in the structure of the organization, discuss specific problem areas of the agency, and become acquainted with the staff in order to better open up channels of communication;

- Discuss answers to the questionnaire;

- Review onsite documents that are too cumbersome to transmit such as permits, modeling runs, and supporting files; and

- Interview personnel responsible for the daily operations of programs for air monitoring, compliance assurance, new source review, and air quality planning and SIP activities.

Typically, the audit is conducted in four phases:

- The EPA auditors for all programs meet with the State agency director and top staff to discuss the goals of the audit and to "break the ice." This meeting usually sets a cooperative tone for the visit;

- The EPA auditors conduct a discussion of the questionnaire with the person(s) in charge of each of the four activities to be audited;

- A review of the files will provide the auditors with an opportunity to verify that the implementation of required activities is properly documented. The files to be reviewed would include: permits, compliance records, air monitoring records, and SIP planning documents. More detailed information on file selection and review is provided in the following chapters.

- An exit interview is held as a wrap-up session to inform agency management of the preliminary results of the audit. This promotes harmony between EPA and the State by giving immediate feedback of the results in a face-to-face meeting between the people actually performing the audit and those responsible for the programs being audited.

The time which the audit team spends to complete the various phases of the onsite visit generally should not exceed three days. However, this general rule will be difficult to adhere to in certain instances, such as when satellite facilities of the agency being audited must also be visited. In any event, the duration of the onsite visit should be mutually agreed upon in order not to create an undue burden to the agency being audited.

AUDIT REPORT AND USE OF AUDIT DATA

Each State or local agency audit report should contain the findings for each of the four audited areas. The Regional Office should give the State or local agency an opportunity to comment on a draft of the report before it is released outside of EPA. This allows misunderstandings and errors to be discovered before the report is finalized. Major deficiencies identified during the audit should be highlighted in a separate section (such as the summary of the report). This enables the Region to detail all the findings of the audit without causing the reader to confuse minor points with major problems. It also identifies to the audited agency those deficiencies considered most serious. Where an agency disagrees with the conclusions of the audit, they should provide to EPA written comments outlining their perspective. These will be incorporated as an appendix to the final report. The report should also highlight outstanding and/or innovative program procedures that are identified.

The audit would be of limited use without some mechanism for rectifying identified deficiencies. Therefore, it is important that the report recommend measures or steps to treat the causes for these inadequacies. Lead responsibilities for implementing these recommendations and anticipated resource requirements should also be considered.

A National Report compiling the findings of the audits conducted by the EPA Regions will be compiled by EPA Headquarters. This analysis will be based on the reports prepared by the EPA Regions as discussed above. It will present the status of implementation of the audit programs throughout the nation and will highlight areas where innovations have resulted in substantially superior performance. It will not rank agencies or focus on specific deficiencies in individual programs. While it will address areas of conflict between EPA guidance and implementation experience, it will not be a forum for addressing unresolved issues between audited agencies and EPA. The specific content of the national report will be defined by the STAPPA/ALAPCO/EPA audit work group in the spring of 1984, after some initial experience in conducting the audits.

FUTURE NAAS ACTIVITIES

This initial implementation of the NAAS is a first step of a "phased-in" procedure. The FY 84 site visits should be viewed as an opportunity to discover and identify differences between the EPA policy as reflected in the audit guidelines and actual practices in the field. The first visit should not be used to pass judgment or grade the adequacy of currently used procedures, but to establish a baseline. Subsequent site visits should then be used to measure progress in achieving the ideal program operation.

EPA plans to make mid-course corrections as NAAS experience grows. This would include, in the short term, improvements in each of the four guidelines. A spring 1984 meeting for the STAPPA/ALAPCO/EPA work group is planned for this very purpose.

The NAAS initiative is designed as a partnership effort to help EPA and State and local agencies each do their respective jobs better. It is our hope that it can become the foundation which all involved can use to make solid progress in protecting and enhancing the quality of our Nation's air.

4. COMPLIANCE ASSURANCE

INTRODUCTION

The compliance assurance element of the National Air Audit System will examine State and local programs which are responsible for the compliance of sources subject to: requirements of State Implementation Plans adopted to meet national ambient air quality standards (Section 110); and, where delegated to the States and local agencies, standards of performance for new stationary sources (Section 111); and national emission standards for hazardous air pollutants (Section 112). There are approximately 30,000 sources in these categories for which EPA shares a concern as to their compliance status. Compliance activities directed to these sources form the primary basis for which this audit should be conducted.

In order to achieve the goals of the Clean Air Act, it is vital that State and local agencies are implementing programs to periodically assess the compliance status of these sources and are taking necessary actions to return violators to compliance. The compliance assurance audit will examine the success of State and local agencies' efforts to meet these goals.

The major parts of the compliance assurance element are:

- Periodic review and assessment of source data
- File review
- Overview inspections

PERIODIC REVIEW AND ASSESSMENT OF SOURCE DATA

Through its Compliance Data System (CDS), EPA will continue its present practice of ongoing review of State and local compliance activities. It is important that EPA, States, and local agencies continue a systematic flow of information into the CDS. EPA believes that annual review for detecting violations is too infrequent to properly ensure that violating sources are identified and corrected. Thus, EPA reviews information on State and local compliance and enforcement activity at least quarterly.

Information submitted by State and local agencies for EPA review should include at a minimum for all Class A[1], NSPS, and NESHAP sources:

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[1] /A Class A source is defined as any stationary SIP source whose potential uncontrolled emissions while operating at design capacity are equal to or exceed 100 tons per year for any regulated pollutant. Design capacity may be limited through enforceable permit conditions to restrict the hours of operation or through physical limitations such as climate or season.

- The date an inspection or source test was conducted at a source and the compliance status of the source found during the inspection.

- Identification of any new sources that should be added to the inventory and sufficient information for CDS entry.

- Any administrative order, consent agreement, or civil or criminal action issued to or brought against a source in the CDS inventory including any compliance schedule with increments of progress.

- Any compliance status change of any source in the CDS inventory. A source is considered to be "in violation" if it is found to be operating with emissions in excess of an air pollution requirement or any substantive requirement of work practice, operation of equipment, or monitoring.

- Progress in meeting a compliance schedule including any increments issued to any Class A, NSPS, or NESHAPS source in the CDS inventory.

To assess the progress that State or local agencies are making in inspecting sources in the CDS inventory, EPA should review the data submitted by each State and local agency. Progress should be assessed by comparing the data with the inspection effort scheduled at the beginning of the year, usually during the Section 105 grant award process. This agreement should specify the percentage and type of source (A1-A2) that will be inspected.

EPA should review data on source compliance status changes submitted during the quarter. Special attention should be given to those sources that remain in violation for two consecutive quarters with no associated enforcement action or schedule for returning them to compliance.

Monitoring of State and local activities and associated compliance changes in the inventory should give EPA a basis for determining the effectiveness of a State or local program. A State or local program that routinely inspects its sources, identifies violators, initiates compliance actions, and shows violating sources moving into compliance usually has a normally operating compliance and enforcement program. A State or local program that does not show this type of pattern may be experiencing problems with some part of its program. This should be investigated thoroughly during the annual visit to the State or local agency for the file review portion of the audit.

In addition to the previously discussed ongoing review, and before the annual audit visit, the EPA Regional Office should furnish each State or local agency a summary of the status of sources in its program for review and comment concerning the summary's completeness and representation of the compliance picture within that agency. This summary should be based on CDS information available to EPA just before the annual visit and consists of:

- Progress in meeting agreed upon source inspection targets.

- Sources whose compliance status has changed.

- Progress of sources meeting compliance schedules.

- Efforts to return violating sources to compliance.

After discrepancies are resolved, this compliance summary should be used to describe the status of compliance for sources in the audit report.

FILE REVIEW

An effective State and local compliance program must have a well documented file on each source. This file should be available for use by management and field personnel. The structure and location of files are optional as long as any needed data can be supplied upon request. The files should contain information supporting the compliance status of each source. The audit team should review representative samples of files kept on sources in that State or local agency. The following questions are examples of information that may be sought.

Organization of Files

1. Can the reviewer, from information available in the file, determine the programs to which the source is subject? If not, why? The various programs are SIP general, PSD, NSPS and NESHAPS.

2. From the information available in the files, can the source's compliance status be determined for all regulations to which it is subject?

Check For Each File

1. Does the file contain documentation supporting the source's compliance status?[2] (At a minimum, the date of the last visit or excess emission report review, person making the compliance determination, and what that determination was).

2. Are all major emission points identified and each point's compliance status indicated?

3. Does the file identify which emission points are subject to NSR, NSPS, PSD, and NESHAPS requirements? If yes, are regulated continuous emission monitoring (CEM) requirements or permit conditions shown to be in compliance and documented? e required start-up performance tests included?

4. Does the file identify special reporting requirements to which a source may be subject (i.e., excess emission reports from a malfunction or a CEM requirements) and are any such reports found in the file?

5. Does the file include technical reviews, source tests, CEM performance specification tests, permit applications, correspondence to and from the company, and other supporting documentation?

6. What methods of compliance documentation are used (e.g., source test, CEM, fuel sampling and analysis, inspection, certification, engineering analysis, etc)?

7. Was the method used to ascertain compliance the most appropriate one for the type of source being documented? Is the method prescribed by NSPS, NESHAPS or SIP? If not, explain.

8. If the documentation includes an inspection, does the report contain control equipment parameters observed during the inspection (pressure drops, flow rates, voltages, opacities)? Were observed control equipment operating parameters or CEM emission levels compared to permit conditions, design parameters, or baseline observations? Were plant operating parameters recorded?

9. If documentation is by a stack test, were visual emission observations or CEM emissions levels and operating parameters recorded during the test? Was there a quality assurance procedure used with a stack test? Who conducted, observed, and reviewed the test?

10. Are enforcement actions contained in the file?

2/For the purposes of this report, the term source is synonymous with facility and consists of one or more emission points or processes.

11. Are compliance actions taken in a timely manner? Do any take longer than 30 days from the time of violation detection? If yes, how long?

12. Is there documentation to support the enforcement action?

13. Is there documentation to show follow-up to the enforcement action (reinspection, letter, etc.)?

14. Are citizens' complaints documented in the file and followed up?

15. What action does the Agency take with respect to excess emission reports?

Checklist For File Reviews

1. Source Name/Location ________________ Compliance Status ________
   State Identification Number ______________________________

2. Organization of Files

   - multiple files? all programs identified?
   - chronological index to file (document name/date)

     ____________________ ____________________
     ____________________ ____________________
     ____________________ ____________________
     ____________________ ____________________
     ____________________ ____________________
     ____________________ ____________________

   - missing documents: ____________________

3. Sequence of Actions

   Yes* No*

   - Is there a logical sequence, e.g., inspection, 30-day follow-up inspection, State NOV, State order? Litigation? ___ ___
   - Periods of delay? ___ ___
   - Multiple final compliance date extensions? ___ ___
   - Repetitive actions? Increased intensity of enforcement response? ___ ___

4. Adequacy of Inspection Report(s)

   - Process and operating parameters defined? ___ ___
   - Regulation and emission limit specified? ___ ___
   - Compliance method or inspection procedure specified? ___ ___
   - Quality assurance identified? ___ ___
   - VE readings in accordance with Method 9? ___ ___
   - Actual emissions quantified? If yes, by what method? ___ ___
   - Can compliance be determined?
     For individual points ___ ___
     For different programs ___ ___
     For the entire source? ___ ___
   - CEM monitor and recordkeeping procedures inspected? ___ ___

5. Compliance Status

   - Does file information agree with historical CDS? ___ ___
   - What is the current compliance status in the file? ________
     ____

6. State or Local Actions

   - Timeliness of State or local action? ___ ___
     Number of days to take formal action? ____________________
   - Action in conformance with formal State or local procedures? ___ ___
   - State or local action effective? ___ ___
   - Is compliance logically achieved? ___ ___

7. Enforcement Actions Yes* No*

- What is the most prevalent enforcement response?

  ____

- Are penalties considered? ___ ___
- Is there a reasoned basis for action or inaction? ___ ___

8. Citizen Complaints

- Adequate follow-up? ___ ___

The review team should summarize their findings following the file review. The summary should, at a minimum, address the following questions.

1. Do files exist that reflect a reasonable profile of the source?

2. Do the files contain adequate written documentation to support the compliance status reported to EPA?

3. Are violations documented and pursued to return the source to compliance expeditiously?

OVERVIEW INSPECTIONS

In order to provide quality assurance for compliance data in State or local files furnished to EPA, and to promote effective working relationships between EPA and State or local agencies, EPA should implement an overview inspection program. This program should ensure consistent application of regulations and policies.

EPA should select approximately 2-3 percent of the sources in the CDS inventory for an inspection. EPA should notify the State and local agencies of its intent at least 30 days before the inspection is to take place. The inspection should be an independent verification of the source's compliance status and should review the State and local inspector's procedures for determining compliance at a source. The inspection should also be an opportunity for State/local and EPA inspectors to share their skills, to identify their differences, and to gain a better understanding of the operation and uniqueness of sources.

A summary of the results of these inspections and State/local overview procedures should become a part of the compliance assurance audit report.

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* When appropriate, provide amplifying remarks on back.

Senator Leahy—Continued

LIDAR EQUIPMENT

Question: After my staff informed your congressional relations office that the subject of the hearing would be the LIDAR system, why did your Assistant Administrator responsible for air programs not know how many systems the Agency owned?

Answer: The Office of Air and Radiation is aware of the LIDAR program but because LIDAR equipment is included in the budgets of OECM and ORD, the Assistant Administrator for the Office of Air and Radiation (OAR) would not be expected to keep close track of the exact inventory of LIDAR equipment.

Question: Please provide me with an estimate of how many sources the LIDAR equipment can investigate in 1985?

Answer: Under ideal circumstances, the National Enforcement Investigation Center (NEIC) would be able to conduct approximately 125 inspections of facilities using LIDAR.

Question: On Page 48-49 of your testimony you stated that the continuous emissions and reporting requirements were another means of detecting violations. For each of these instances in which the LIDAR facility has detected violations, please indicate whether the Compliance Monitoring System detected violations. If it did not, why not?

Answer: The Continuous Emissions Monitoring (CEM) system is only required of a limited number of facilities, primarily certain source categories regulated under the New Source Performance Standards (NSPS). LIDAR investigations may have been conducted at some of these facilities. Because LIDAR investigations are targeted by the regions, we can not provide a detailed answer to this question at this time without surveying Regional Offices (who in turn will contact State program offices). This information will be provided to the Committee as soon as possible. The Regional Offices will have to identify those facilities that were tested by both LIDAR and CEM systems, as well as those reported in violation through various reporting requirements.

COMPLIANCE INSPECTIONS

Question: Your staff indicated that the decline in compliance inspections discussed on page 50 of the transcript results from a court decision requiring a shift in activities from contractor to Agency employees. Is this correct?

Answer: EPA is reducing dependence on contractors in carrying out its inspections. The Agency is concerned about recent court decisions that may limit the use of contractors for carrying out inspections. However, since the number of inspections in the budget includes those conducted both by contractors and EPA personnel, this does not account for the difference.

The reason for the reduced level of inspections relates to implementation of the Agency's Post-1982 Enforcement Policy.

The adoption of the policy resulted in a projection of a greater number of inspections for 1984 than has been conducted in recent years. The lower estimate for next year is more in line with recent practice and reflects the lessened impact of the policy due to the expectation of substantially fewer nonattainment areas.

LIDAR CASES

Question: Please provide an explanation, on a region-by-region basis, for why, in 60% of the cases, no enforcement action has been taken in the LIDAR cases.

Answer: It will be necessary to survey Regional and State program offices to provide a case-by-case rationale as to the follow-up taken in response to LIDAR detected violations. A detailed response will be provided to the Committee as soon as this survey is completed.

ACID RAIN

Question: I do not need to tell you that the people of Vermont want action on acid rain. I am also aware that the President does not want new legislation.

Your 1985 budget, recognizing that the President does not want acid rain legislation, proposed a five-point program for dealing with acid rain under existing law. Now, I would like to go through each of these and ask whether they were funded or not.

Research and Development - to determine when and if acid rain is a problem.

Answer: Research and development to determine the causes, effects, and corrective steps for acid rain has been ongoing since 1980 through the National Acid Precipitation Assessment Program. The following table reflects funding levels in recent years and the 1985 request:

($ in millions)

	1980	1981	1982	1983	1984	1985
EPA	$5.5	$6.9	$9.0	$13.1	$15.4*	$34.4
Other Agencies	5.5	6.1	9.2	10.2	12.2	21.1**
Totals	$11.0	$13.0	$18.2	$23.3	$27.6	$55.5

* Does not include $5.5 million supplemental request for the National Lakes Survey.

** Preliminary estimate; other agency decisions may augment funding levels.

Question: Advanced warning systems - to monitor the effects on lakes and the land of acid deposits over the next 5-6 years.

Answer: "Advance Warning Systems" was a term used early in the planning phase of the 1985 budget proposal. In setting the experimental design, we developed the National Lake Survey and the terrestrial survey which are being funded in 1985. From these surveys we will select a series of long-term ecological monitoring sites. These sites will be evaluated periodically on a follow-up basis using enhanced observation protocols. The purpose will be to detect any early signs of acid deposition effects.

Question: Policy formation - to fund an effort to develop legislation or regulatory programs to control acid rain; acid rain control planning - to fund an effort by regional EPA offices to help states develop a regulatory framework to control acid rain, also improve the inventory of sulfur dioxide and nitrogen pollutants so regulations can be tightened; and State acid rain controls - to provide the funds to state air pollution control agencies to review compliance with sulfur dioxide and nitrogen pollutants to determine how much it could be reduced.

Answer: The above items were not in the President's Budget because the Administration decided to defer a decision on the need for an acid rain control program. If, at some point however, an acid rain control program were determined by Congress and the Administration to be the appropriate response to the acid rain issue, we think that rapid action would be expected by the public. Since there are many technical issues such as the emissions baseline, and monitoring and modeling protocols, whose resolution could delay implementation, we believe it prudent for the responsible federal, state, and local agencies to begin to address these issues now.

HEALTH PROTECTION

Question: This year, we have seen very strong interest in pesticides. The American people do not know whether their health is being protected.

I have a special interest in this program, because, as a member of the Senate Agriculture Committee, I have been deeply involved in pesticide legislation.

Now, the pesticide law is written to require the collection of public health information, make decisions on that information, but in a manner that permits the use of pesticides by industry. When I compare what this Agency is doing to fulfill these responsibilities in 1985 compared to 1981, I am disturbed. The level of activity in public health protection is static or down. On the other hand, the activities which permit industry to use pesticides, without public health protection, have greatly increased.

For example, registration standards, data call-in, special review decisions are all static. Old chemical reviews are down by 50% -- from 7,673 to 3,756.

On the other hand, Emergency Exemption Reviews, which allow use of pesticides without full public health protection, have increased by 67%, from 450 to 754.

Now, why are the activities essential to public health protection static or down by 50% at the same time that exemptions, which permit the use of pesticides without full public health protection, are up by 67%.

Answer: The Agency considers the characterization of old chemical reviews as geared to public health protection, and emergency exemptions as permissive of industry use of pesticides "without public health protection" to be incorrect. All Agency decisions to approve or not to approve the use of old pesticides, emergency exemptions, experimental uses, etc., are made in the interest of solving pest control problems in a manner which maximizes opportunities to use the most efficient mechanisms available, taking into account the economic, social and environmental costs and benefits.

Moreover, some emergency exemptions are concerned with immediate public health-threatening problems such as the use of strychnine for rabies control. Others are concerned with increasing food production or preventing economic loss.

A significant decline in the long term annual rate of old chemical reviews is indicated only between 1983 (8,455) and 1984 (3,700, projected). Through the first four months of 1984, old chemical reviews have experienced a 59% drop in activity from the comparable period in 1983. This has been accompanied by a 45% decline in the number of receipts for the same period. This workload is externally generated. The major factor accounting for the recent fluctuation and decline is assumed to be uncertainty surrounding the Monsanto litigation. Pending final resolution of this litigation, many companies have taken a "wait and see" position rather than submit registration requests at the pre-1983 rate.

In the period 1981 to 1985, the annual rates of registration standards established and data call-in letters issued are expected to increase by 38% and 27% respectively, rather than remain static. It is true that the annual rate of Special Review (RPAR) decisions appears to remain constant over this period. However, due to the continued integration of this function with the registration standards and registration activities, the Agency believes that the process of enforcing the no unreasonable adverse effects standard has improved.

Furthermore, between 1981 and 1985, other activities essential to public health protection are expected to show considerable increases: new chemicals and biorationals by 81% and 150% respectively, and tolerance reviews (tolerance petitions and inert ingredients requests) by 46%.

The considerable increase in reviews of emergency exemptions reflects Agency workload fluctuations and externally generated demand and does not necessarily indicate a proportionately greater use of pesticides without full public health protection. In fact, the proportion of exemption requests leading to rejection has increased. For example, in 1982, 752 emergency exemption reviews were conducted, resulting in 18 rejections and 675 approvals. However, in 1983, 754 emergency exemption reviews were conducted resulting in 33 rejections and 590 approvals (the balance of the reviews in each year were dealt with in the following year or voluntarily withdrawn).

Based on a recent audit of the special registration program, the Agency has significantly changed procedures with respect to new chemicals under the emergency exemption program. Requests for exemptions involving new chemicals are published in the Federal Register as a notice of receipt with opportunity for public comment. So far, two such notices have been published and no public comments have been received. In addition, in those instances where the Agency has decided to authorize an exemption for a new chemical, a notice of such a decision will be published in the Federal Register, along with a justification for the need for the action. However, because the number of exemption requests received each year for new chemicals has been limited, the new procedures are not expected to drastically reduce the number of exemptions requested and received by the Agency. Nevertheless, these procedures reinforce the Agency's position that Section 18 Emergency Exemptions not be used as a "back door" to the normal Section 3 registration process.

In addition, the Agency is revising Section 18 regulations to address problems identified in the audit concerning possible abuses of the emergency exemption system. Public meetings on these changes were held in January, 1984, and proposed new rules should be completed by the end of the calendar year.

Based on historical data the Agency projects that 770 actions or decisions will be taken with respect to the emergency exemption program in 1985. This number not only represents individual exemption requests but also includes amendments as well as reconsiderations. To the extent that the revised policy results in an increase in the number of rejections for emergency exemptions for new chemicals, some reduction is expected in such requests in 1986 and beyond.

QUESTIONS SUBMITTED BY SENATOR SASSER

ASBESTOS-IN-SCHOOLS

Question: Mr. Ruckelshaus, I am greatly concerned about the presence of friable asbestos in elementary and secondary school buildings across the country. I know that EPA has operated a Technical Assistance Program (TAP) since 1979, in order to assist local school districts in inspecting for asbestos. Please give us a summary of what EPA has accomplished in this regard since 1979, particularly focusing on the Agency's activities since Congress passed the Asbestos School Hazard Detection and Control Act in 1980.

Answer: Since March 1979, EPA has operated the Technical Assistance Program, a nationwide comprehensive effort designed to encourage States and schools to establish voluntary programs to detect and correct hazards posed by friable asbestos-containing materials. Through the TAP, EPA has provided needed technical expertise on how to identify and control these materials and has actively conducted extensive research aimed at developing state-of-the art guidance materials and technical assistance for school officials and other building owners.

As part of the TAP, in 1979 EPA prepared and distributed to all U. S. public school districts and private schools a document entitled, "Asbestos-Containing Materials in School Buildings: A Guidance Document," Parts 1 and 2 (First Guidance Document). This document describes how to establish an asbestos identification and control program and provides background information for school officials on exposure assessment and control of asbestos-containing materials.

A Regional Asbestos Coordinator (RAC) was designated in each EPA regional office to make this expertise more readily accessible to school officials. In 1980, retired professionals (generally architects and engineers) were employed in each EPA region as Technical Advisors (TAs) to work with each RAC to offer guidance on developing and managing asbestos control programs. Over the years, these regional resources have responded to thousands of requests for assistance. The requests have come primarily from schools but also from public and commercial building owners and managers.

EPA has also provided important technical support for the TAP. This support has included the development of sampling and analytical protocols; guidance for quality assurance programs; development of a photomicrographic asbestos particle atlas for use as a laboratory reference; a polarized light microscopy (PLM) analytical proficiency program for analyzing samples of friable materials; a field study to collect data on airborne asbestos levels in schools; a laboratory study of the physical characteristics of bulk materials and fiber release; an investigation of an exposure rating system to identify buildings that have significant airborne asbestos exposures; preparation of a variety of guidance materials; and operation of a toll free number which people can call for information regarding sampling and analysis of bulk samples. The Agency has also investigated the use of encapsulants and performed a series of laboratory tests to deter- of bulk samples. The Agency has also investigated the use of mine the effectiveness of 154 commercially available encapsulants. On the basis of these tests, 34 encapsulants were found to be acceptable. EPA is also participating with the American Society for Testing and Materials (ASTM) in their efforts to develop criteria for evaluating all encapsulants.

In addition, EPA has investigated the applicability of a generic regulation that would direct schools and public and commercial building owners and managers in taking corrective action when friable asbestos-containing materials were detected. EPA also examined the use of monitoring for airborne asbestos in buildings as the basis for setting a regulatory standard. However, case-by-case abatement decisions, and not generic regulations, were found to be more protective of health because they treated each situation in the optimal way. Given the diversity of building configuration and use, there is no abatement option that minimizes exposure in all cases. Therefore, EPA updated the guidance used by school and building officials to make such case-by-case abatement decisions and continued technical assistance available through the RACs. EPA's latest guidance document, titled "Guidance for Controlling Friable Asbestos Containing Materials in Buildings" (Second Guidance Document), was published in March, 1983. It summarizes the best currently available information, and draws on the experience of EPA regional staff, analytical and health scientists, local school officials, and abatement contractors. The document outlines a systematic approach for building owners to follow in selecting a course of action for controlling friable asbestos-containing materials in buildings. Our information indicates that the Second Guidance Document has served as an important source of information not only for school officials, but also for building owners and managers interested in implementing an asbestos control program.

In conjunction with the voluntary program, EPA also instituted a regulatory program. EPA proposed the identification and notification rule in September 1980; the final rule was issued in May 1982. EPA felt that a strong technical assistance and compliance program, an emphasis on public education and awareness, and a mandatory inspection rule would ensure that public health was protected.

This rule requires public and private elementary and secondary schools in the United States to inspect all school buildings for friable materials, take samples of each type of friable material found, analyze samples to determine if asbestos is present, and keep records of the findings.

In schools with friable asbestos-containing materials, the Local Education Agency (LEA) is required to notify employees of the location of the materials, post a notice form in the primary administrative and custodial offices and faculty common rooms, provide maintenance and custodial employees with a guide for reducing asbestos exposure, and notify the parent-teacher associations or parents of the inspection results. The rule required completion of these steps by June 28, 1983.

Following publication of the rule, EPA conducted an extensive outreach program to publicize the rule requirements and provide training to States and schools. This training included seminars for State and local health and education personnel in the EPA regional offices and distribution of compliance assistance guidelines detailing the requirements of the rule. Finally, EPA mailed copies of the rule and the First Guidance Document to all public school districts and private schools. Schools were encouraged to consult with EPA RACs when complying with the rule and are encouraged to consult with EPA regarding corrective actions on an ongoing basis.

EPA is continuing to strengthen the asbestos-in-schools program. Currently, the Agency is conducting an extensive two-year compliance monitoring program which will address violations of the rule's requirements. Additional improvements to the program are being implemented. These include measures to increase public awareness of the Agency's concerns with regard to asbestos-containing materials, increased resources for technical assistance in each EPA region, steps to coordinate with the Department of Education in addressing asbestos issues, and efforts to facilitate the transfer of technology from States with effective asbestos programs to other States. (A chronology of major Federal actions on asbestos is attached.)

Question: What do you believe is the magnitude of the asbestos problem in our nation's school buildings? Please comment on both the health threats involved, and the estimated costs of taking proper corrective action.

Answer: The Agency's only estimate of this was used in the May 27, 1982 Asbestos-In-Schools Rule. We estimated, based on the voluntary Technical Assistance Program (TAP) in two regions, that 14,000 schools nationwide have sprayed-on friable asbestos-containing materials. (A greater number of schools probably have friable pipe and boiler insulation.)

The Agency is currently conducting two surveys which will help us to gain reliable estimates of the extent to which friable asbestos-containing materials exist in schools and public buildings. The results of these surveys are due in May and June respectively.

In the Asbestos-In-Schools Rule (47FR 23360) the Agency discussed the reasons why the presence of friable asbestos-containing materials in schools presents an unreasonable risk to persons who use or work in school buildings. Briefly, the conclusion is based on the relationship between exposure to asbestos and the risk of cancer resulting from workplace concentration of airborne fibers. In publishing this rule, the Agency estimated that significant "peak" exposures to asbestos can occur during maintenance tasks.

Our current estimates are that removal costs range between $2 and $13/sq. ft. (does not include re-insulation costs). Initial costs associated with enclosure are usually lower. In some cases, no action is needed in the short-term as long as the situation is carefully monitored for any change in the condition of the asbestos.

Removal is not the only option, but may be the least expensive option in the long-term. (The attached charts provide comparisons of control methods.) We currently have no aggregate cost data for schools or buildings. The surveys referred to above will provide additional information.

Question: Mr. Ruckelshaus, of 275 school inspections completed by EPA for the Agency's internal review of the asbestos-in-schools program, over 2/3 of the local educational agencies were in violation of EPA inspection and notification regulations. Please explain why you believe school officials are reluctant to comply with these federal regulations.

Answer: In December of 1983, EPA reviewed 275 inspection reports. Of the local educational agencies (LEAs) in non-compliance, the following violations were found:

- 50% had either conducted no inspections or insufficient inspections;

- 66% had either not notified or had inadequately notified parents;

- 60% had either not warned or had improperly warned school employees of identified asbestos hazards.

A reason for non-compliance may be that LEAs are reluctant to notify parents and employees of the results of any inspections that identify the presence of friable asbestos materials in their schools. The LEA would then have to address the concerns of those parents with children in schools with asbestos-containing materials.

Question: Both the Department of Education and EPA have prepared reports which conclude that little asbestos abatement activity has occurred. What role do you think EPA should take in establishing mandatory asbestos abatement regulations, or in overseeing voluntary asbestos abatement activities?

Answer: The Agency's current program provides technical assistance and guidance to building owners who are conducting asbestos abatement projects. EPA is looking at a broad range of regulatory approaches to addressing the abatement issue. The Agency will convene a public meeting on May 7, 1984 to solicit input from experts in this area and encourage the public to provide EPA with data and written views on how EPA should modify its asbestos-in-schools program.

Question: Mr. Ruckelshaus, your Agency's internal review of the Asbestos-In-Schools Program concludes that abatement activities are occurring mainly in wealthy school districts, where costs will not impose a burden upon taxpayers. Furthermore, your reports states that "consideration should first be given to defining when an imminent hazard exists in a school so that local educational agencies [in which such a hazard exists] and which are also lacking in funds are provided a mechanism with which to take immediate action." Please explain what sort of "mechanism" you are suggesting here.

Answer: The Agency is currently considering a range of options to address those situations in schools which require immediate action. One of these options is an effort to determine whether we can define what situations constitute an imminent hazard in a building.

Question: Mr. Ruckelshaus, I believe there is merit to EPA's determination that wealthy school districts have taken care of their asbestos-related problems, while poorer districts lack the financial ability to properly address the problem. I believe that Congress should address this inequity. Would you be supportive of a Federal program of financial assistance targeted toward local school districts which have the worst asbestos-related problems, and which demonstrate clear financial need? Please comment on EPA's ability and willingness to efficiently operate such a program.

Answer: EPA has no expertise in the area of establishing a loans and grants program for asbestos abatement in schools. Such a program would be more appropriately administered by the Department of Education under the Asbestos Hazard Detection and Control Act of 1980.

CHRONOLOGY OF MAJOR FEDERAL ACTIONS ON ASBESTOS
OFFICE OF TOXIC SUBSTANCES - MARCH, 1984

Occupational Standards

OSHA	June 1972. "Permanent standard" for occupational exposure of 5 f/cc*, to be lowered to 2 f/cc in 1976.
OSHA	Oct. 1975. Proposed lowering standard to 0.5 f/cc.
OSHA	July 1976. 2 f/cc standard became effective.
NIOSH	Dec. 1976. Recommended that OSHA lower the standard to 0.1 f/cc.
MSHA (then MESA)	Mar. 1976. 2 f/cc standard in coal mines.
MSHA	Nov. 1978. 2 f/cc standard in metal and nonmetallic mines (includes sand, gravel and crushed stone operations).
OSHA	Nov. 1983. Issued emergency temporary standard (ETS) of 0.5 f/cc.
OSHA	Nov. 1983. ETS stayed pending legal arguments by asbestos industry.
OSHA	Mar. 1984. ETS overturned in Federal District Court.

Air Emissions

EPA/NESHAP	Mar. 1971. Asbestos listed as a hazardous air pollutant.
EPA/NESHAP	Apr. 1973. No visible emissions standard for milling and manufacturing of asbestos products and demolition of buildings. Prohibited spray application for most uses of friable materials containing more than 1% asbestos.
EPA/NESHAP	Oct. 1975. Waste collection and disposal included under the no visible emissions standard. Added several processing industries to those already covered.
EPA/NESHAP	June 1978. Extended prohibition to cover all uses of friable spray-on material and no visible emissions standard to cover all friable asbestos-containing materials during demolition.
U.S. Supreme Court	Jan. 1978. Decision in the Adamo Wrecking Co. case ruled that EPA did not, prior to the 1977 Clean Air Act amendments, have the authority to impose work practice requirements, thus invalidating those parts of the NESHAP regulations which are not emissions standards.
EPA/NESHAP	July 1983. Proposed reinstatement of these provisions.

Asbestos-in-Schools

EPA	Mar. 1979. Through the OTS, EPA initiated a technical assistance program to help schools identify and control friable asbestos-containing materials.
EPA/TSCA	Sept. 1979. ANPR on asbestos-containing materials in schools.
EPA/TSCA	Sept. 1980. Proposed rule on identification and notification of friable asbestos-containing materials in schools.
Education	Sept. 1980. Under the Asbestos School Hazard Detection and Control Act, the Department of Education proposed a rule to establish a grant and loan program to reimburse schools for detecting and controlling friable asbestos-containing materials in schools.
Education	Jan. 1981. Final rule. Funds have not been appropriated to conduct this program.
EPA/TSCA	May 1982. Final rule on identification and notification of friable asbestos-containing materials in schools.
EPA/TSCA	Feb. 1983. EPA granted in substantial part a section 21 petition from the Service Employees International Union to commence regulatory action on schools and buildings asbestos abatement.

Commercial Use of Asbestos

CPSC	Dec. 1977. Rules prohibiting use of asbestos in consumer patching compounds and emberizing agents.
EPA/TSCA	Oct. 1979. ANPR with CPSC announcing intent to consider regulations of commercial uses of asbestos.
EPA/TSCA	Dec. 1979. ANPR modification.
EPA/TSCA	Sept. 1980. Proposed rule under section 8(a) to require reporting of production and exposure data on asbestos.
EPA/TSCA	July 1982. Final rule under section 8(a) to require reporting of production and exposure data on asbestos.

Water Emissions

EPA/FWPCA	Feb. 1974. Effluent guidelines for asbestos manufacturing point sources and new source performance standards.

Waste Disposal

EPA/RCRA	May 1980. Asbestos listed as a hazardous waste in proposed rules.
EPA/RCRA	Nov. 1980. When issuing interim final rules on portions of the disposal regulations, EPA stated that they would "temporarily defer" promulgation of the listing of asbestos while investigating the extent to which NESHAP facilities afford comparable protection.

Other Actions

DOT	Aug. 1979. Rule to require controls during transportation of friable asbestos.
FDA	Mar. 1975. Rule to prevent release of asbestos from filters used for some drugs.
FDA	Jan. 1976. Rule to revoke permission to use the electrolytic diaphragm process for salt.

* fibers/cubic centimeter of air

Table 2 Comparison of Asbestos Control Alternatives

Method	Advantages	Disadvantages	Appropriate applications	Inappropriate applications	General comments
Removal	Eliminates asbestos source Eliminates need for special operations and maintenance program	Replacement with substitute material may be necessary Porous surfaces also may require encapsulation Improper removal may raise fiber levels	Always	Never	Containment barriers needed Worker protection required Wet removal is required for all types of asbestos, (amosite will not adsorb water or water with traditional wetting agents) Disposal may be a problem in some areas Unusual circumstances, complex surfaces, and the presence of utilities may require special removal techniques
Enclosure	Reduces exposure in the area outside the enclosure Initial costs may be lower than removal unless utilities need relocating or major changes Usually does not require replacement of material	Asbestos source remains and must be removed eventually Fiber release continues behind enclosure Special operations program required to control access to enclosure for maintenance and renovation Periodic reinspection required to check for damage Repair of damaged enclosure necessary Fibers released in dry form during construction of enclosure Long-term costs could be higher than removal	When materials need to be isolated from building occupants (e.g., exposed pipe) Disturbance or entry into enclosed area unlikely	Damaged or deteriorating materials causing rapid fiber release Water damage evident Damage or entry into enclosure likely Ceiling to be enclosed is low	Containment barriers needed Use of tools with HEPA-filtered vacuum attachments advisable Worker protection needed

Table 2. (continued)

Method	Advantages	Disadvantages	Appropriate applications	Inappropriate applications	General comments
Encapsulation	Reduces asbestos fiber release from material Initial costs may be lower than removal Does not require replacement of material[a]	Asbestos source remains and must be removed later If material is not in good condition, sealant may cause material to delaminate	Material still retains bonding integrity Damage to material not likely Material not highly accessible	Material does not adhere well to substrate Material is deteriorating or damaged, or damage is likely Water damage is evident	Containment barriers needed Worker protection needed Airless sprayers should be used
		Periodic reinspection required to check for damage or deterioration Repair of damaged or deteriorating encapsulated surface required Encapsulated surface is difficult to remove and may require dry techniques for eventual removal Long-term costs may be higher than removal	Material granular, cementitious	Material is fibrous, fluffy	Damaged pipe insulation may be taped but not sprayed Previously encapsulated materials may have to be re-encapsulated
Special operations and maintenance program plus periodic reinspection	Lowest initial cost of any alternative	Asbestos source remains Special operations program required to prevent damage of material during maintenance or renovation Periodic reinspection required to assess material condition and potential for erosion or disturbance	As a temporary measure until another alternative is selected Material in good condition and has low potential for erosion or disturbance Material is nonfriable	Material not in good condition or has high potential for erosion or disturbance	Special building cleaning practices are essential

QUESTIONS SUBMITTED BY SENATOR BYRD

CONSTRUCTION GRANTS

Question: On October 1, 1984, the State share of funding for the construction grants program will increase from 25 percent to 45 percent, while the Federal share will decline from 75 percent to 55 percent. In the past, there have been a number of States that have had great difficulty and in some instances have not been able to meet the 25 percent matching requirement to leverage Federal dollars. Would you provide for the record, the names of these States and the dollar amounts that were not committed or that were carried over in 1982 and 1983 because of an inability of the States to provide the 25 percent matching share?

Answer: The non-Federal share of the Construction Grants program is a local responsibility which may be provided by combined State and local funds. Although there have been instances where localities have had difficulty in providing the non-Federal share, funds lost by the States to reallotment in 1982 and 1983 have been those of program set-asides, primarily the innovative and alternative (I/A) technology program. For example, no Federal funds have been lost in West Virginia, except for I/A funds, although some projects on the State priority list have had to be passed over because the community could not secure the local share. States have two years in which to commit their Federal construction grant funds. A decision to carry over funds into the second year of availability may reflect various conditions--such as changes in State priority systems and lists, project readiness, or court involvement--and not just inability to obtain the non-Federal share. We have no statistics on the extent to which carryover funds may be specifically attributed to the unavailability of local funds.

Question: Would you provide your projections for 1984?

Answer: We anticipate that no State will lose money to reallotment due to unavailable local funding.

Question: Would you provide your projections for these States that will not be able to commit funds under the new formula because of a lack of State matching monies when the State share increases from 25 percent to 45 percent in October, 1984? Please include in the above figures, any funds that will be carried over because of a lack of the required matching monies on the part of the States.

Answer: We anticipate that most States, working with the localities, will identify means to accommodate the increased local share. At this time we have no specific projections which confirm this. Many States are preparing for the reduced share. Five States have already taken action to reduce the Federal share beginning in 1984. Ten States have undertaken special studies on new financing programs. Nine States have established bond banks and five States are looking at innovative ways to reduce the costs of their projects.

SUBCOMMITTEE RECESS

Senator **Garn**. The subcommittee will stand in recess until 10 a.m. on Thursday, March 22, when we will receive testimony from the Veterans Administration.

Thank you very much.

Mr. **Ruckelshaus**. Thank you, Mr. Chairman.

[Whereupon, at 11:40 a.m. Tuesday, March 20, the subcommittee was recessed to reconvene at 10 a.m. Thursday, March 22.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, MARCH 22, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:10 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senator Garn.

VETERANS ADMINISTRATION

PANEL OF MEDICAL CENTER DIRECTORS

STATEMENTS OF:

- **ROBERT E. LINDSEY, VA MEDICAL CENTER DIRECTOR, SALT LAKE CITY, UTAH**
- **JOHN MALCOM RANDALL, VA MEDICAL CENTER DIRECTOR, GAINESVILLE, FLA.**
- **RAYMOND C. SULLIVAN, VA MEDICAL CENTER DIRECTOR, CINCINNATI, OHIO**
- **LAURANCE V. FOYE, JR., M.D., VA MEDICAL CENTER DIRECTOR, SAN FRANCISCO, CALIF.**
- **ALADINO A. GAVAZZI, VA MEDICAL CENTER DIRECTOR, WASHINGTON, DC.**
- **C. WAYNE HAWKINS, VA MEDICAL CENTER DIRECTOR, DALLAS, TEX.**

SUBCOMMITTEE PROCEDURE

Senator GARN. The subcommittee will come to order.

Gentlemen, I apologize for being late and I assure you this is a great rarity. The Senate Banking Committee has never started late since I have been the chairman. I, unfortunately, did not make the same commitment to this appropriations subcommittee. I think this is only the second time in 3 years I have been late here. It was unavoidable and I do apologize for keeping you waiting.

Today we will depart from our normal procedure and conduct the Veterans Administration hearing in two parts. Both parts will primarily deal with the construction program.

The first part of the hearing will consist of a panel of six VA medical center Directors from different parts of the country that I have invited to discuss their experiences with the VA construction program.

The second part will follow the more traditional approach with questions addressed to Administrator Walters and his associates.

I would like to welcome the VA medical center Directors as representatives of the approximately 190,000 VA medical care employees who are caring for and assisting the Nation's 28.2 million veterans, the 51.7 million members of the veterans families, and the 2.4 million survivors of deceased veterans. The Department operates the largest medical care delivery system in the United States with 172 medical centers.

BUDGET REQUEST

VA's funding request of approximately $25.8 billion is composed of $15.1 billion in benefits, $9.1 billion in medical programs, $822 million in construction programs, and $755 million for general operating expenses. This request represents an increase of $803 million over the enacted fiscal year 1984 level. The budget also assumes an increase of 2,231 positions over the fiscal year 1984 level.

Gentlemen, we have invited you here today so that we might hear firsthand some of the problems the Directors of the individual VA medical centers have had specifically with the construction program. Because the six of you have had a total of 150 years of experience with the VA, we are particularly interested in any suggestions for changes you might have to prevent these types of problems in the future.

I should also mention that we are under a fairly tight time schedule this morning and I would ask each of you to summarize your remarks and we will, of course, include any additional remarks and your full statements in the record.

STATEMENT OF ROBERT E. LINDSEY, VA MEDICAL CENTER DIRECTOR, SALT LAKE CITY, UTAH

SALT LAKE CITY CLINICAL ADDITION

Mr. Lindsey, I understand you have been with the VA for a period of 25 years and you are the Director of—I guess I can call it my hospital, at least it is in my State and in my city and you have been there for about 4 years.

Mr. LINDSEY. Yes, sir.

Senator GARN. The project I would like to focus on is the Salt Lake City Medical Center and specifically the clinical addition which was originally estimated at $21 million and was accepted by the VA on July 28, 1982.

What role does the medical center director play in the acceptance of a building and how did that work at the Salt Lake City project?

Mr. LINDSEY. This project was a centralized project under the control of the Office of Construction. When the general contractor felt that the project had been substantially completed, he asked for a final inspection. The Office of Construction makes the final inspection. When they are satisfied that the contract requirements have been substantially met, the Office of Construction signs for the building and accepts it for the Veterans Administration. Then it transfers the facility over to the Department of Medicine and Surgery. That is how it happened in Salt Lake City.

Senator GARN. How much input does the medical center director have over the design of the construction plans and how did that work at Salt Lake City?

Mr. LINDSEY. Normally the medical center initiates the project and then, if it is centralized, as this project was, the Office of Construction hires the architect engineer for design and then goes through the award process. The medical center at that point really has little control over that process and if the budget is tight, it is very difficult to effect change. At the end, when the project is completed and received by the medical center, it is the responsibility of the medical center to make the project work.

CONSTRUCTION PROBLEMS

Senator GARN. What were the major problems that resulted from design or planning deficiencies?

Mr. LINDSEY. Well, I can elaborate on that and give you some examples. There were some design errors in dealing with this project. For example, the bedside panels with the life support systems in the intensive care units did not meet VA standard specifications. We are having to remodel them so that when we use the medical gas systems in those panels, one does not interfere with the other. We are experiencing low water pressure in the building. We have the deionized water problem in the building and we have some problems with the fire sprinkler system and with the electrical system. We categorize the errors into design errors, design omissions, or design deletions. Some of the deletions included landscaping, some elevators, and the pharmacy remodeling.

Senator GARN. What problems resulted from failure of the contractor to perform properly?

Mr. LINDSEY. Well, I have listed two and possibly three areas which we think are results of the contractor not fulfilling the contract obligations. One is the fire alarm system which does not meet the contract specifications. It violates the code requirements of the National Fire Protection Association and probably violates good wiring practices. The contractor has been called back in to make those corrections.

Another problem which we have recently discovered is that the columns which penetrate through the various floors in the building were not properly sealed. Because of this, there are open areas adjacent to the columns which violate the fire codes. We have asked either that the contractor come in and make those repairs or that we be given the funding so that we can effect the repairs.

Senator GARN. One of the things that bothered me the most about this was that beyond the problems in the actual construction of the building, weren't many of the problems recognized as the construction was going on? What I am specifically referring to is the fact that we went ahead and completed areas and then subsequently tore them out. It seems to me you were aware of problems and proceeded to tear down the remodeling rather than saying, "Hey, this is going wrong, this is not the way we want it so we stop now."

The thing that bothered me about this particular project more than anything else is it went on when there were glaring deficiencies and problems to completion. The contractor was called back to make changes and then started to tear it apart and rebuild it. Can you explain to me why it was not stopped in the process when the problems were apparently known?

Mr. LINDSEY. Well, I think that is a complicated question and there is not really a simple answer to that. The construction process in the VA in a building of that magnitude probably takes 6 to 7 years from the inception of the idea and the concept until the building is turned over to the medical center. In that long timeframe there are mission changes, and we experienced some of those at Salt Lake City and I can talk about some of them.

We introduced an open heart surgery program which was not present during the design of the building. We introduced laser surgery which was not part of the design of the original building. Then, during the planning phase, some of the deficiencies which later were changed after the building was turned over were identified but the medical center just was not successful in effecting change in those areas prior to or during the construction phase.

Then, after the building was completed and occupancy started, more deficiencies were identified, particularly with the technical system. I am talking about the electrical, plumbing, and heating systems with some of the safety systems, and those are being addressed now.

I think that this particular project was very tight because of budgetary constraints. I think that, at the time that the building was designed, it was a clear signal from the Congress that the VA was to remain within the budget constraints and I think the VA reacted to that. But, when it all comes to an end, it is the responsibility of the medical center director to make the building work and to be sure that he does not abrogate his greatest responsibility which is to provide for the safety of patients, and that was the case at Salt Lake City.

CONSTRUCTION PROCESS

Senator GARN. Well, I understand that. I understand change orders. Over a period of time when I was mayor of Salt Lake City I built several public buildings and I know what you are talking about. It would seem to me, however, if budgets were tight, somebody in the bureaucracy should have said, "Hey, stop while we evaluate." I had to do that with one building. I just went down and said, "Stop; tell everybody to get off the job. Go away until we sort this out; we are not continuing." We stopped one project for several weeks until I got it sorted out.

Now is it just bureaucracy? Is the VA so bureaucratized that it just rolled on by its own momentum and nobody could say, "Hey, stop, we don't want this any more"? It obviously costs more money the way we did it.

Mr. LINDSEY. I think there is no doubt that it does cost more money the way this was accomplished. I would not argue that point with you at all, Senator, and I would welcome meaningful changes in the construction process so that we can improve and we could mitigate this happening again. I know that the Administrator, Mr. Walters, has authorized an independent study by outside consultants to take a very hard look at our planning, design, and construction process and, in doing that, I would hope that we would also look at some kind of a further decentralization so that there would be more meaningful input by those physicians and administrators who work for the VA within those hospitals so that the advantage of that expertise would not be lost.

I would also hope that there would be built into these large construction projects more flexibility so that we could accomplish the things that you are discussing. In that regard I think that the responsibility for planning and for development of projects, for development of criteria, for space and for budget control ought to be looked at very heavily. I believe that those responsibilities which now rest outside the Department should be inside the Department of Medicine and Surgery.

VA CONSTRUCTION PLANNING

Senator GARN. Well, I agree totally with what you say your responsibility is; it is safety and good care of the patients. Since I have been chairman of this subcommittee, I have been alternately blasted and condemned by some veterans organizations because of what they perceive me trying to accomplish. What I am trying to accomplish is better care for the veterans by improving selection, construction methods, and so on. I made a comment on the floor that I still stand by today, that when you have an agency that is so popular and has such a constituency, money has usually been easy to come by over the years. I say this as a card-carrying member of the VFW and American Legion. I am a veteran, I had 24 years of military service, so I am hardly a foe of veterans.

But you will find in the Federal Government that the agencies that are the most politically popular often are the most wasteful as well, because they don't get the same detail scrutiny. When you take a veterans amendment to the floor it usually passes. It is not often that it does not, even for add-ons, even in very tight budget times. So when I look at the problem of $200 billion deficits, I am certainly trying to eliminate waste and I am not trying to hurt veterans. I am trying to find some rationale for the siting of hospitals other than political pressure. I want to locate VA hospitals where the patient load is rather than the area where someone has a lot of political clout.

So I plead guilty to trying to clean up the process, cut down those number of years, have some sense in planning and some flexibility, not only in the construction, but some real criteria set for where veterans hospitals are located other than political considerations. That is not you gentlemen's fault, that is the fault here in this body and the House of Representatives. I think ultimately if we can accomplish that, if we can clean up the process, there is going to be more money available for the delivery of services to veterans because it does not serve them well when we have all the problems that have occurred in a lot of places over a number of years, not only in site selection, but in construction and remodeling and all the things that go with it. The majority of that money ought to be delivered in the form of services and that is why when you said what your major responsibility is, I agree with you.

MODERNIZATION OF VA HOSPITALS

Mr. LINDSEY. Thank you, Senator.

If I might just make one more observation, based on my experience of the past 25 years, I think that the VA is really behind in modernizing and maintaining its medical facilities. We really have to continue to improve our health care facilities and keep pace with the dynamic nature of health care technique and technology. One thing I would wish for, even though it may be almost an impossible thing, is that there would be some understanding between the VA and OMB and the Congress that there is an understanding of our need to proceed with capital investment at a reasonable level over the long term so that facilities are up to date and they would assist us in delivering the quality of care that we are charged with delivering.

Senator GARN. Well, I agree, but it is a little bit difficult for Congress to address these problems, too, when they built the Hart mausoleum next door. That is one that we can all be very unproud of. Fortunately I have got enough seniority that I don't have to go over there, where there is a vast amount of wasted space. I should not start on that but we had a need for more space. Wee did not need another marble mausoleum with a great atrium whose heating bill would probably heat half the homes in Salt Lake.

Mr. LINDSEY. Well, I have no knowledge of any mausoleums in the Veterans Administration.

RECOMMENDATIONS FOR FUTURE CONSTRUCTION

Senator GARN. Well, I hope you are not in the mausoleum business, you are supposed to send them back out on the street healthy.

Do you have any specific recommendations for the future that we can avoid problems like this that occurred in Salt Lake?

Mr. LINDSEY. I would say that some of the things which I hope are considered by the consultants who the Administrator is hiring to look at our process would be a further decentralization of projects for the medical facilities. I think also we should take a hard look at a decentralization of some of those organizational elements that are located in the central office and place them in the field closer to the medical centers. We have a decentralized system in DM&S, we have a central office component, but the majority of the folks are in the field. On the other hand, we have a very highly centralized, highly structured construction process which is located almost entirely in the central office. I think that the consultants ought to take a look at the benefits of a partial decentralization of that organization to meet the responsive needs that we need to have met as medical center Directors.

Senator GARN. Thank you, Mr. Lindsey.

Mr. LINDSEY. Thank you, Senator.

STATEMENT OF JOHN MALCOM RANDALL, VA MEDICAL CENTER DIRECTOR, GAINESVILLE, FLA.

CONSTRUCTION PROJECT ON SCHEDULE

Senator GARN. Mr. Randall, you have almost 38 years of experience with the VA. You are the Director of the Gainesville, Fla., Medical Center and have been at that particular hospital for 17 years.

The medical center is undergoing a clinical improvement and research and education construction project that is estimated to cost $15.5 million. The design for this construction project was funded in fiscal year 1977 and construction was expected to be completed the end of this month.

First of all, do you think the construction project will be completed this month as the VA schedule indicates?

Mr. RANDALL. Yes, Senator, it will. In fact, I have already signed for four floors of the project and the only thing left to sign for is an animal quarters building and some interior remodeling in the current building so it will be completed on schedule.

CLINICAL ADDITION CONSTRUCTION PROBLEMS

Senator GARN. Could you think back and give me possibly the two or three most significant problems that occurred for you during the construction process?

Mr. RANDALL. Well, first of all—yes, I would be glad to, Senator. I would like to preface my remarks by saying that I think there are a number of dedicated and talented people who are involved in the construction process in the VA. Some place along the way, I think that the process has become flawed, and I think the process led to some of the problems with construction at Gainesville although essentially the building is sound.

The problem started with the issue of phasing the project—phase 1, phase 2, phase 3—and so what was conceptually a five-story building to the rear of the current hospital that would connect at every floor became a three-phase project. The first phase, a ground floor and a first floor, were constrained by the dollars that were available so the sizing of the project was not based on need but rather on dollars. From there we went to phase 2, which was the construction of floors two through five. One of the key elements was to connect corridors at all floors in order to move some of the offices of the professional people into this new wing to free up space for enlarging the nurses' stations which are directly related to patient care.

In the process, when the decision was made to abandon the idea and to go to the south and build, one of the stipulations I made was that we would have to bridge through an open well into a central elevator corridor. When I saw the working drawings, the bridging had been done through the middle of the patients' wards, the patient areas. When I questioned this, the response was that the dollars prohibited bridging through the open wells, that it was too expensive and it would run the project over the dollars available.

So, on four floors, we have main passageways running right through the patient care areas. Project phasing caused part of this problem. It also caused problems because 10 months after phase 1 was completed, we started planning for building floors two through five, and, when construction started, the roof had to be taken off to put floors two, three and five on top. This created problems because of roof leakage and the operations of the hospital were interfered with because of the constant construction. So, although the building is sound and we are not going to have to do a lot of remodeling to make the building functional, the process again got in the way and that caused a number of problems.

RECOMMENDATIONS FOR CONSTRUCTION PROCESS

Senator GARN. Do you have any specific recommendations on what we do about the process?

Mr. RANDALL. Well, first of all—I am delighted to know that Mr. Walters has recognized that we have some problems with the process and he is going to do something about it. For one thing, I think there are too many organizational elements involved in the process. There are too many people who can say "No" to the medical center Director when he wishes to make changes as the project is being developed.

I echo Mr. Lindsey's hope. I hope that this study will take a look at health care facilities as to whether or not that should not be a part of the Department of Medicine and Surgery because the Department is really the user. It is really the client of the construction process, and it would seem that the client should be able to make the determination as to what is required and have responsibility for project development, for the space that is needed and for the technical criteria.

I think projects need to be designed and then money sought from the Congress to build the project. Too often the project is constrained by the money available and the dollars dictate the scope and size of the project. Too often rather than determining what programs we are going to have and then designing a building to fit the programs, we design the building and then try to cram the programs into the building. I am sure the process can be cleaned up and I am certain that, if the local operating people—the physicians at the hospital, the management people—had more input into the design process and as the project develops had continuing input, it would improve the process.

Senator GARN. It never ceases to amaze me though at the number of—well, errors is not the right term, but what appears to be the lack of common sense in the design of some of these facilities. Is that because there is not proper input from you and your department heads? I am not referring to your specific facility now, I am speaking in general. Don't they listen to the people that actually operate the facilities and what they need?

Again I didn't build any hospitals, but when I was mayor we constructed one building that had practically no change orders. This was because each department head designed his own section by talking to his staff. They told the architect what they needed; they were not designers. This is what we need, and when we used that it was amazing how many change orders we avoided and how satisfied the people were with the building. Once again, this was because they essentially gave the general parameters of its design. Do we have architects sitting in the regional office here that are not receiving any input from the people who are actually working in the facilities?

Mr. RANDALL. Well, I think it varies with the project and the individual who is involved with the Office of Construction. Some individuals with the Office of Construction really seek out advice from the hospital people and attempt to incorporate their suggestions into the plan. As I said before, it seems to me there are simply too many organizational elements involved in this construction process. You not only have the Office of Construction but you have the Facility Engineering Planning and Construction Office of the Department of Medicine and Surgery, and the Controller's Office. You also have a whole host of program directors in the Department of Medicine and Surgery. There are just too many organizational elements involved so that the Department, and particularly the hospital people as the clients, really don't have an opportunity to make their input as meaningful as it should be.

Senator GARN. One thing that is puzzling to me, and it is hard to get a handle on, is that in dealing with construction sometimes people make mistakes in the private sector. They hire architect engineers which is fine, but they have never done this particular type of building; they don't have the type of background. Again it seems to me that all you are building is hospitals and medical facilities. It would seem there would be an unusual amount of expertise that ought to develop in that area; they are not building water department facilities and all of that. They are building hospitals. How do I get a handle on all of the errors that have gone on over the years? Do we have people that are supposed to be hospital experts?

Mr. RANDALL. Yes, sir. As I said, Senator, I think we have a lot of talented and competent people that are involved in this process, but the process gets in the way and prevents them from bringing their expertise to bear as effectively as they might. I think the process can be cleaned up, and I think that is what Mr. Walters is about.

STATEMENT OF RAYMOND C. SULLIVAN, VA MEDICAL CENTER DIRECTOR, CINCINNATI, OHIO

CENTER NEARING COMPLETION

Senator GARN. Thank you very much, Mr. Randall.

Mr. Sullivan, you have been working for the VA for 24 years. You are the Director of the Cincinnati, Ohio, VA Medical Center where you have been for almost 4 years.

The Cincinnati VA Medical Center is nearing completion of a $11.5 million clinical expansion and relocation that started in 1981.

On February 7, 1984, the subcommittee approved a reprogramming of $214,000 to renovate an area to house a new CAT scanner and $356,000 to relocate a new medical library.

Would you please describe to the subcommittee any problems you have had with the construction process and could you suggest any general changes or unique solutions to these problems?

PROBLEMS WITH CLINICAL EXPANSION

Mr. SULLIVAN. Yes, sir, I will. It is going to be difficult to be different, I think, so I don't believe I will attempt to do that. I am certain that some of the remarks I will make will be more of what you just heard.

In our project we had two items that occurred that you noted we needed to change in the project. It took us about 16 months to get approval to make those kinds of changes. In the meantime, we had the construction project sitting with nothing happening, waiting to put the CAT scanner in its proper place. There were all sorts of ways that we might have done that. What we had to do eventually was to go back to the Congress asking for additional funding for the project and a scope change so we could include that in the project. It made sense for the CAT scanner to be built there as it is right next to the rest of the Radiology Department.

Now we have the approval but it took us a long time to do that. We are about to finish the rest of that construction project. I have signed for most of that space, but now we have got to start anew in this area to provide the CAT scanner. It is causing us some operational problems. It caused us some budget problems because we were figuring to have that CAT scanner in operation by the budget year and now we will not have it. I think the best way to change this process is to bring it into the Department of Medicine and Surgery where we can effect those kinds of changes more simply. It just took so many steps to get that modification approved.

Senator GARN. Do you personally know what the process is? What was going on for 16 months? Was there somebody involved that didn't want to deal with it so they passed it on to somebody else? What are we dealing with for that kind of period, waiting for somebody to make a decision one way or another?

FUNDING CONFUSION

Mr. SULLIVAN. There was a great deal of confusion obviously, Senator, about that and the various ways in which we might have picked up the extra dollars to do what we needed to do. Then the process at Salt Lake City became a very big issue—how can you change a construction project and what kind of changes can you make and to what extent? I think there was a great deal of reluctance to deal with our situation at Cincinnati because of what was going on in Salt Lake City.

Senator GARN. People protect their own behinds and are afraid to make any decisions for fear it might be wrong, therefore they are going to hide. This is not peculiar to the bureaucracy but it just irritates me so badly that we cannot get people to make decisions. It is amazing how many times things are not brought to my attention.

This building where you are connecting things through patients' wards, I will guarantee you I would have been willing to try and get you more money to do it right. That is false economy, that is stupid. Somehow this process has got to change because it is not just the taxpayers paying the bill, it is the veteran, your patient, who is suffering the most because of all of this.

I see Mr. Walters taking notes and I am glad he is because I am going to keep being a pest on this process. I know you're sincere and I know there are good, dedicated people down there. I don't know whether it is the 9-to-5 syndrome—I will worry about that tomorrow, I have done my job today, it is sitting over here or I don't want to make a decision because I will get in trouble because that Senator is after Salt Lake City.

Yes, I sure was. When you are chairman of the subcommittee that deals with $25 billion for one agency and you find there is a problem in the place that you represent, yes, you are going to take a look at that one closely. There is no doubt about it. You will look at the one that is closest to home that you represent but that should not stop the whole world. If people are reasonable to deal with, if they will talk to me about it, I am willing to help. I want to solve the problem, I don't want to cause a problem. I want to solve the problem. Sixteen months to get a decision, I wish I had known that. We would get a decision faster than that one way or another. It is just incredible.

STATEMENT OF LAURANCE V. FOYE, JR., VA MEDICAL CENTER DIRECTOR, SAN FRANCISCO, CALIF.

$19.4 MILLION CONSTRUCTION PROJECT

Dr. Foye, you have been with the VA for 25 years. You are the Director of the San Francisco, Calif., VA Medical Center and have been at that location for 6 years.

The San Francisco Medical Center is in the middle of a $19.4 million construction project that began in 1983 and includes a remodeling of several buildings for new functions.

The San Francisco Medical Center has been funded for a 120-bed nursing home and a two-story parking garage which has been the subject of some concern and controversy here in the Senate.

Would you please identify a few of the significant changes in the design of the construction project that have taken place to date?

Dr. FOYE. Well, I think, Senator, that those who have testified before me, and you, in your description of your experience as mayor, defined one of the essential factors that is lacking in the process in the VA. That factor is that the client has some flexibility in dealing with the construction project to meet his needs. You defined a situation where the construction stopped while corrections were made. Each of the problems defined have represented situations where flexibility was needed to make a change, to make a correction, to make a modification, and to meet a new advance. This flexibility was lacking because of the centralization of the decision process and the whole construction process.

Now it is so centralized and marches to such different drums than do the clients, the medical centers in the field, that we almost end up in an adversarial relationship. I have some very good friends in the Office of Construction and they are very competent people. It is such a centralized process that they are massively overloaded with decisions and problems and projects and so on and so on.

So, instead of flexibility, we have inflexible space and design criteria that are monitored by the Office of the Controller. We have an inflexible schedule that is established very early in the design process by the Office of Construction and they follow it. We have an inflexible budget estimate and then a budget, a ceiling limit. The criteria, schedule, and the budget are the guiding principles for the Office of Construction, not the quality, not whether it meets the hospital accreditation criteria, nor whether it meets the NFPA, the national fire prevention codes. They don't get any goodies for having done those things. They get taken over the coals themselves if they don't meet schedule, if they don't meet budget, and if they don't meet the criteria.

PROJECT SCHEDULES

So any kind of request for a change means that the schedule may slip. So the schedule is used as the reason—"No, we cannot accede to a change or the budget may be exceeded, so we cannot accede to a change or we can't put in this more elaborate process or the criteria may be exceeded." For example, if we were going to build a home and the criteria calls for 200 square feet in the bedroom, but the owners use two double beds, a TV set, and a dart game, then this owner needs 500 square feet. It would exceed criteria, it would require redesign, it might delay the schedule and it might even be considered expanding the scope of the project and maybe even exceed the budget. A request for 500 square feet would be denied.

So they march to one series of tunes and drums. The field, in the meantime, has the problem of getting its unique needs and requirements into that structure so that when the structure is turned over to the medical center, it can operate the structure. Now, it is common knowledge that when the structure is turned over to a VA facility, it takes 3 to 4 years for it to operate properly because all of the needs that previously had been defined and turned down because of schedule, budget, and criteria have to be fulfilled.

Another example is that the architects who are contracted with by the Office of Construction to design the project are instructed not to contact or heed advice from the medical center. This has happened to me on two recent projects, and it has happened at other locations. This lack of communication would mean that, if you are building a home, you would have no input to the architect engineer on how that home is designed or he would ignore your input as to where you want closets, bedrooms, and so forth. This procedure avoids the input from the field which would delay the schedule, confuse the issues which may require a redesign, giving false standard design, standard criteria, and so forth.

PROJECT MODIFICATIONS

The second thing is that there are unavoidable requests for modifications. The big project that is going on at my facility consists of two large buildings that have been redesigned for seismic strengthening and expanded in their uses by modernizing. One building is 50 years old. Obviously this thing started to be designed and conceptualized in 1974 and ground was broken in 1983 and it won't be done until 1986.

Now things have happened in medicine, in hospital design, and so forth, that need to be taken into account. Also, some things are overlooked and that is not surprising in as complex a project as that. It was overlooked that they needed a fume hood in pathology for the safety of the employees working there, so we had a request to put in a fume hood. It was not even considered that we ought to have a computer conduit in that building. We had requested that a computer conduit be put in, but back in 1974–76 a need for computers was not an issue.

It has become apparent with the layout of the laboratory that we need a laboratory intercom system. So there are some changes that need to be done. The fume hood was something that was overlooked and was needed as a safety factor. There was a design error in that shelving was put into laboratories with door cabinets where the only way that laboratory can function is with drawers that hold large numbers of small items, so the cabinetry needs to be changed. All of those requests have been submitted formally for at least 3 months or more while construction proceeds, but there has been no response.

BUDGETARY RESTRAINTS

Now the other thing that happens is that if it appears you may exceed the budget, the budget estimate or the eventual appropriation limitation, then various chunks of the project are deleted. The replacement of the 50-year-old elevators in the building was deleted because we had a cost limit of $33 million. Central office officials were afraid the low bid would exceed $33 million so the decision was made not to replace the 50-year-old elevators that are unsafe in a seismic building.

A decision was made to delete the replacement of windows which were corroded and were leaking. So we would have had a new building, new walls and everything, but leaking windows throughout this large structure. The decision was made to delete the pharmacy expansion to cut down on the cost. The decision was made not to correct the prosthetic treatment center area which is in the middle of the rest of the structure and not to do the seismic correction in that area, so there will be spotted areas throughout the building that are not seismically corrected while the rest of it is.

The reason is to stay within the budget; the budget is now guiding these decisions. Thirty-three million dollars were available. When the bid came in, it was $19 million. The cost of the structure is going to be $19 million. So to stay below the $33 million these things were deleted and now what we have is a $19 million bid to do the job. We are in the process of trying to get these essential deletions back into the structure to make it what it was intended to be all along, to complete the job of seismic strengthening, to expand the ambulatory care area, and so on. Again the budget, the schedule, or the criteria, and not the need, have become the defining factor.

INFLATION ESTIMATES

Senator GARN. Well, I am puzzled. If the budget was $33 million and the bid was $19 million, it is the bid and not the budget that is the restraining factor, and why is there so much reluctance? If there is so big a saving, why are they deleting those within the $19 million bid?

Dr. FOYE. Well, it was deleted when it was thought that the thing would come in higher than $33 million. When it came in as low as it did, then there was the opportunity to put all of these things back into that structure.

Senator GARN. Do you have any idea why there is such a big discrepancy between the bid and the estimate?

Dr. FOYE. I think inflation didn't go ahead as fast as was anticipated.

Senator GARN. Well, that is an awfully big difference, $33 million to $19 million.

Dr. FOYE. I had no input at all.

Senator GARN. That is a difference between 4 percent or 6 or 7 percent inflation.

Dr. FOYE. Well, I had no input at all as to the inflation process.

Senator GARN. It gets back to the question of what kind of people do we have there that are missing that far. I understand the bidding process, I participated in a lot of it, but that is a big, big discrepancy between estimates and an actual bid.

RESIDENT ENGINEERS

Dr. FOYE. Now the other thing that happens is the resident engineer is assigned to the hospital when a project like this gets underway and the resident engineer is the contact with the contractor. The resident engineer who lives at the hospital reports to the Office of Construction, not to the hospital management. I do not, as a director, communicate with the contractor. I can talk to the resident engineer, but preferably my engineer talks with him. The resident engineer then can talk to the contractor directly or to the Office of Construction to determine whether he can talk to the contractor about the problem. Therefore, I have nothing to say about the direct supervision of the project.

IMPROVEMENTS TO THE PROCESS

Anyway, I would like to provide some suggestions for improvement in the process from my viewpoint. I don't think there is any question about the competence of the people involved and I don't think there is any question that the cost and schedule and their containment are unquestionably important. However, the resistance to functional input from the major client, the using medical center, contributes as well to the problems of delays and overruns. The final product is an unhappy compromise rather than a mutually satisfactory joint venture. The one solution would be that the medical center must be viewed and dealt with as the major client.

The Office of Construction, the Department of Medicine and Surgery, and the Controller should be expert advisors and consultants to the medical center in these construction projects. The project should be well conceptualized as to the needs and strengths of the local facility right from the start such as was intended with the advance planning fund concept. Flexibility must be built into the process to provide for the program, workload, staffing, and technological changes that inevitably occur and errors that inevitably occur. Once the schedule and budget are set, the medical center should have the major responsibility to decide on tradeoffs, add-on items, and those kinds of decisions within the schedule and budget or, if such a decision would cause the schedule to slip, but we are going to have a better product as a result, we would need to make a conscious decision working with the central office. There ought to be flexibility there rather than an automatic "No" because the schedule will be violated.

Finally, when possible, the project ought to be delegated in toto to this medical center as has been done so successfully at Fresno and Ann Arbor and Tampa with nursing home projects that are proceeding on schedule. The facilities, the medical centers, are very happy with the delegation and, incidentally, the medical center directors comment upon how helpful the Office of Construction and so on have been in helping them do this job where they, however, have the basic authority to proceed with the process, supervise the contractor, supervise the design, and so on. So there are solutions. Several solutions that have been tried are already working very well; for example, the delegation concept. That has been implied in some of the other testimony.

Senator GARN. Thank you, Dr. Foye.

STATEMENT OF ALADINO A. GAVAZZI, VA MEDICAL CENTER DIRECTOR, WASHINGTON, DC.

$21.9 MILLION CONSTRUCTION PROJECT

Mr. Gavazzi, I see that you have had 38 years of experience with the VA and 13 of these years has been with the District of Columbia VA Medical Center of which you are now Director.

The Washington, DC., Medical Center is in the midst of a $21.9 million 120-bed nursing home care, clinical facility, and parking garage construction project that was started in 1982.

I was also interested to note that you had served as the Associate Director for Hospital Construction in the early 1960's within the Department of Medicine and Surgery.

With having experience at both places and with both of these perspectives in mind, could you add to the picture that we have gotten so far from the other medical directors as to major problems with the VA construction process and what you feel might be done to improve the process?

Mr. GAVAZZI. I am pleased to be here before you today, Senator. Much of what I was going to say has been said, but I would like to give you a little history which may be useful. In the early fifties the VA medical program built 10 prototype hospitals. These were built by the Corps of Engineers with no input from the people who were going to work in those hospitals. In the sixties the VA Department of Medicine and Surgery set up a program whereby the people who were going to work in those areas were going to have input in what was going to go into the wards, the nursing areas, and so on. This method worked very well. These people worked very well with the Department of Construction and we had good communication. I think 90 percent of our problems are due to communicating with each other or lack of communication thereof.

Going back to the first hospital I worked in, Brooklyn, N.Y., we moved into a 1,000-bed hospital, closed two hospitals, one in Staten Island and one in Manhattan Beach. We found many problems. For example, we moved patients from Staten Island and found we did not have beds but we had mattresses. We had dishes and no tables and so on, which was dumb.

When I went over to the Washington VA hospital, they were building a research building with no connecting corridor. Finally when a connecting corridor was built there was a 2-foot pitch and, as a result, once the corridor was finished the housekeeping employees had a ball sending down the carts and slamming them against the door by the hospital. That cannot be corrected.

We have this project going on and it is going along beautifully. There are several problems; one came with the oxygen. The criteria was changed whereby the oxygen was permitted in nursing homes because we do have patients in nursing homes that require oxygen from time to time. With the help of the actual construction, the line has been put in but it is not put into the rooms yet. That installation will have to be a completion item.

We had a dental program where there was going to be a rotating turnstile to permit training of dental technicians. The previous Administrator, I understand, removed it from the project. Now we have three walls going nowhere but an 18-inch depression which is some 20 feet in circumference. That is what we are going to be fighting.

I think the time frame from when a project is started until it is finally completed is much too long. I think that if I were a young man and if I were to buy a home and show my wife the blueprint, by the time the home was completed and we moved in she probably would divorce me or have me spend twice as much money to bring it to what she thought she was improving. This frequently happens because of the fact that we do not have that much input once a project is put out to bid.

CORRIDOR VARIANCE

Senator GARN. How do you get a 2-foot variance in a corridor? I would think an engineer could eyeball 2 feet, I mean he wouldn't need a transit or anything else, he ought to be able to visualize a 2-foot distance.

Mr. GAVAZZI. It is a two-story building and it is about 75 feet from the main hospital, and when they built it they didn't give any thought to putting a connecting corridor to the hospital proper. I think they were thinking about building it in Florida because of the fact that they didn't think it gets cold in Washington and so on. So when I asked for the corridor to be built, they built it, but they built it at a slant. Not being an engineer or architect, I can't answer that, but somebody apparently can.

Senator GARN. Did they deliberately build it at a slant or it was an error?

Mr. GAVAZZI. It was an error, sir.

Senator GARN. Two feet in 75 feet?

Mr. GAVAZZI. Yes. That was in the seventies.

Senator GARN. I mean even over half a mile, 2 feet is a big error. My father used to be an engineer and I think he would be interested in that story how you goofed by 2 feet in 75. That's pretty hard to do.

Well, I won't press you any further. Obviously you don't know the answer either.

STATEMENT OF C. WAYNE HAWKINS, VA MEDICAL CENTER DIRECTOR, DALLAS, TEX.

$7.2 MILLION NURSING HOME CARE CONSTRUCTION PROJECT

Mr. Hawkins, you have been with the VA for 25 years. You are the Director of the Dallas, Tex., VA Medical Center and have been there for 8 years.

The Dallas center is in the middle of a $7.2 million, 120-bed nursing home care construction project that started in May of last year.

You have heard what your fellow directors have had to say.

Based on your experience with the construction process, do you have any additional insight that you might add?

Mr. HAWKINS. Thank you, Senator.

First of all, I do concur with what my colleagues have said. We do have a major problem. I have been involved not only with my own construction project at Dallas but also have been assigned to work on an ad hoc committee to review the process and make some recommendations to Dr. Custis and Mr. Walters.

If I could, sir, I might just summarize the kind of problems I have had. I have surveyed about 50 directors in the field who also feel these are the four or five major problems we have.

LENGTH OF CONSTRUCTION PROCESS

The first problem that we all concede to is that the length of the construction process is too long. You have heard from my colleagues about the time it takes to get the changes made. Also, the time from the initiation of a project request to the construction phase is anywhere from 4 to 10 years. We have suggested that more delegation of projects to the field would be one answer to cut down in terms of the limits in the time it takes to build or design these facilities.

The second recommendation was to obtain the services of a local architect engineer on a contract basis in the scope development stage and the early design stage. This action would expedite the planning process and also prevent a lot of the change orders and completion items at the end of the construction.

LOCAL ARCHITECT ENGINEER

The second problem identified by the directors was that the people with the most expertise have the least input into the scope, design, and the building of the building for the user. The accessibility of the architect engineer is one problem there. We are dealing with a centralized process that may be 500 miles or 3,000 miles away. Usually the site teams come out for a total of two or three times during the scope or project development stage. That would be a total of about 9 working days that they would interface with the facility staff and the facility management.

We would like to see a local architect engineer firm on a contract basis as suggested by my colleagues and we would like to have the Office of Construction provide the input through that process. Using that method, the architect engineer could spend several weeks at the facility gaining the input of the doctors, nurses, and the occupants of the space that they are designing for.

REVIEW OF PRELIMINARY AND WORKING DRAWINGS

The other main problem that we foresee in terms of experience, which I would like to see corrected, is the review process of the preliminary and working drawings. The current process requires that these be reviewed at 50 percent and 90 percent increments. These plans are made by the architect engineer and submitted directly to the Office of Construction without coming through the facility for any input or review by the facility Director or his staff. Sometimes we might get a bootleg copy or sometimes we might be referred to a very short copy for a comment and review. We feel that what is essential is to get the architect engineer dealing directly with the user and the review process would flow from the architect engineer to the Director to our central office. Again this would decrease, I believe, the number of change orders in some of the problems that you have heard identified today.

CENTRAL OFFICE ORGANIZATION

Another area that we have strong convictions on is the organizational problem that has been described at our centralized level. We have health care facilities in the Office of Construction, moved there in 1973, and Facility Engineering, Planning, and Construction Office over in DM&S. There is a feeling from the field that this is a fragmentation of the process. They have overlapping responsibilities when it comes to construction, particularly in the project development stages.

We have needless jurisdictional disputes that occur over who has the authority to do what and, of course, this does cause a delay and it is very time consuming. Not only is it confusing to the internal VA structure, it is very confusing to the outside architect engineer who is trying to design this building for the local facilities but who is getting his guidance from a different source to deal with the planning project development criteria.

The other thing, as we mentioned earlier, is that we recently got authority to be involved in the selection of the architect engineer. This is the first time we have ever had any input in the selection of a firm which was going to do the work for the facility. As described by Dr. Foye, we feel also that we should have some control and some input in terms of the supervision of the construction project from the resident engineer standpoint. Presently the resident engineer reports directly to the Office of Construction and not to the Director or any of our staff.

If I could, sir, I might just share with you an experience I had on the way up here on the plane yesterday. I sat beside an architect who has done considerable work with the Veterans Administration on both small and large projects. I did not share with him my concerns that I discussed here today but I asked him to share with me his feelings about the VA construction process and how he thought it might work better or what he would recommend. It was interesting to note that the ideas he had were consistent with the ones I just gave you as far as the delegation to, and more input from, the field station facilities, particularly the professional staff.

He brought up an interesting point that he thought the resident engineer part of the program was a very weak part of the program. He felt the reason for this might be a conflict of interest in terms of having the resident engineer work day to day with the contractor. When these changes that are required do come up, he is asked only to give his recommendation to research or to the resident engineer who then submits those directly to Washington with review from the health care facilities.

We feel that if we are going to improve the process, the resident engineer must be involved not only from the initial project development stage, but through the entire construction and the joint inspection. With that kind of process it is our strong conviction that we will not have these kinds of errors occur. We also will have fewer change orders and we will have facilities that better meet our local needs. I guess most of all we will have some responsibility and authority that we now do not have.

Senator GARN. Thank you very much, gentlemen. May I thank all of you for your willingness to testify today and give us insight into your personal experiences. I certainly recognize you are out there in the infantry of the VA. You are out on the front lines where it happens and maybe that is one of the problems. Too many people are back here in Washington in their ivory tower and don't know what the real world is like out there. The suggestions on decentralization seem to make a great deal of sense to me. More decisionmaking should be made by those who are actually working the projects and having to live with the results of the construction.

We appreciate each of you being here today and thank you very much.

Mr. LINDSEY. Thank you, Senator.

[CLERK'S NOTE: The Veterans Administration has provided the following information for inclusion in the record at this point. The information was not presented at the March 22, 1984, hearing. The inclusion of the information is meant to augment the testimony provided by the six medical center directors in relation to the VA construction program.]

ADDITIONAL VETERANS ADMINISTRATION TESTIMONY

The Veterans Administration is pleased to have the opportunity to expand on its testimony before this Subcommittee.

The testimony of the six VA Medical Center (VAMC) Directors has identified a number of significant problem areas in the VA's construction program, primarily as experienced on projects initiated in the mid-1970's and earlier. Notwithstanding the fact that some of the concerns cited by the Directors already have been corrected through improved procedures over the years, it is clear, as in all complex processes, that further improvements in the VA construction process can be made. The Directors' testimony in this regard is a very useful summary of problem areas, real and perceived, which need to be fully addressed. It is particularly clear from the testimony that communication within and between the field and VA Central Office needs to be improved.

CONSTRUCTION STUDY

To assist in this task, the Administrator of Veterans Affairs recently contracted with the joint venture of Booz, Allen & Hamilton and RTKL, Inc., for a top to bottom assessment of the VA's organization and procedures for constructing health care facilities. This 270-day study specifically will address the need for additional procedural improvements to enhance communication within and between VA medical centers and VA Central Office (Office of Construction (O/C) and the Department of Medicine and Surgery (DM&S)), as well as focus on the appropriate role for field participation and decision-making responsibility in the design and construction process.

The goal of the VA medical facility construction program is to deliver needed facilities to provide high quality care to veterans and which meet the requirements of VAMC staff in a timely, fully functional and cost-effective manner. To maintain this goal, the VA in recent years has initiated a number of procedural improvements specifically directed at enhancing medical center participation in the Major construction projects at their facilities.

IMPROVEMENTS IN THE VA CONSTRUCTION PROCESS

The following list summarizes some of the more significant improvements which already have been made in recent years to enhance medical center participation in the construction program as well as improve the overall VA design/construction process. We anticipate that our current construction study will help us to identify many other needed improvements which will enhance the efficiency and cost-effectiveness of our design and construction program.

Final Inspection and Project Acceptance

VA written procedures for Partial-Final and Final Inspections have long provided for specific participation on inspection teams by DM&S Central Office and medical center personnel. The project is accepted by the Office of Construction and the medical center must also sign acceptance for the project. The VA is currently looking at additional specific procedures which would formalize the responsibility of the field even further in joint inspection and acceptance of projects.

Scope Deletions Due to Budget Limits

The current Administrator of Veterans Affairs has provided specific written policy guidance, strongly reinforced in meetings with VA's top management, that if additional funds are needed to complete a project, the most appropriate course of action is to request the additional funds from Congress. This policy guidance should preclude any future occurrences of insufficient project funds to accomplish a project's scope.

Enhance VAMC Design Input

The importance of ensuring full medical center input into project design has been clearly emphasized. With increased input and flexibility in the design process, however, must also come the responsibility to make a decision and stick to it, unless compelling medical program changes dictate otherwise. In terms of current procedures for VAMC design input, (a) medical center personnel are invited to Central Office for project design reviews; (b) Central Office (DM&S and O/C) team visits are held at the VAMC throughout design of a project to gain VAMC input; and (c) for most projects, specific VAMC design input is requested at five specific points in the design process. In addition, effective January 30, 1984, medical center personnel are now invited to participate in architect/engineer (A/E) selections. It also should be noted that the VAMCs always get copies of design review drawings. To the extent that this participation needs to be enhanced still further, it will be done following the construction study analysis.

Delegation of Projects

Under current VA procedures, the Minor construction program (projects under $2.0 million) is delegated on a project-by-project basis which results in almost all Minor projects being delegated to the field. The Minor Miscellaneous and Non-recurring Maintenance construction programs are totally block delegated to DM&S for medical center accomplishment, unless DM&S specifically requests that O/C supervise the project. In addition, based on the positive experience with the three FY 1982 delegated Nursing Home projects, the VA will continue and expand its program to delegate Major projects to VAMCs. The Cleveland Clinical project (FY 1983 Supplemental) was delegated to that medical center on January 5, 1984. At least two

FY 1985 Major construction projects also will be delegated to VA medical centers for accomplishment. However, the primary focus of the VA's delegation process will be to delegate projects earlier in the design process, specifically prior to conceptual and preliminary design, because these initial stages offer the medical centers far more opportunities to influence project development. The FY 1987 program year is the first project pool which offers this opportunity as conceptual and preliminary design has not yet been initiated for these projects.

Project Schedules

The Directors' testimony focused on a frequent complaint that it takes too long to develop and construct a Major project. This is a legitimate problem in the VA's construction process and a number of initiatives have been taken to shorten the timeframe for Major projects. These include the Design Fund (which will save an average of 15 months per project), the nursing home prototype (which will reduce an average project schedule from approximately 53 months to 24 months), and revisions in the VA's internal project concurrence and approval process (which will save up to several months per project). We hope further reductions can be made as a result of the recommendations of the construction study.

Ad Hoc Committee to Improve VAMC Participation in the Construction Process

To effect further improvements in the communications between the field and Central Office (O/C and DM&S), the Associate Deputy Administrator for Logistics in January 1984 established an ad hoc committee which includes Central Office (DM&S and O/C) as well as field (Director, Dallas Medical Center and Chief of Staff of White River Junction Medical Center) representatives. As a result of the work of this committee, VAMCs are now invited to participate on A/E selection boards and a VAMC request for a DM&S training program for the field station construction coordinator will be presented as a formal recommendation to the Chief Medical Director's Advisory Council. Medical Center Directors will also be given final authority for approving phasing plans for Major construction. A number of other items suggested by the field are currently under study for possible implementation in the near future.

VAMC RESPONSIBILITY

The VA Medical Center Directors' testimony clearly reflected their beliefs that delegation and decentralization to field facilities would improve the VA's construction program. Clearly delegation/decentralization would provide the field with far more decision-making authority over the projects at their facilities. The issues, however, of accountability for this increased responsibility and the VAMCs' technical staff capability to manage an additional complex workload in the areas of major facility design, construction and contracting are additional important factors which will be addressed in the construction study.

CORRECTIONS FOR THE RECORD

Mr. Chairman, prior to closing this testimony, we would like to clarify or expand upon several statements made in the testimony of the Medical Center Directors. Without clarification, these points may create a misperception of the VA's construction process.

- One Medical Center Director recommended that projects should first be designed and then construction funding requested in order to avoid having dollars dictate the scope and size of a project. The Advance Planning Fund process does provide a more refined cost estimate, based on completed preliminary design, prior to requesting construction funding.

- At VAMC San Francisco concern was expressed regarding work deletions in the renovation of Building Nos. 2, 4 and 200 at that facility. The Director advised that several 50-year old elevator systems and corroded windows in Building No. 2 were not being replaced. The three elevator systems and window replacements in Building No. 2 were bid as add-alternates to the construction project based on concerns that sufficient funds might not be available. Based on the low bid, sufficient funds were available to accomplish these items, and the elevator system and the windows are being replaced under the construction contract for this project which was awarded June 27, 1983. The Director also advised that changes he has requested for this project have been in Central Office for three months with no response. Office of Construction received the VAMC's requested changes January 8, 1984, the Resident Engineer has met with VAMC personnel on them, and the A/E has been authorized to prepare change order documents for the work. The Director further advised that full seismic corrections are not being made. As the project is currently scoped, all structural seismic work in Building Nos. 2, 4 and 200 is being accomplished under this project. Nonstructural seismic work is included only in the areas being remodeled, with the remaining nonstructural deficiencies for the entire facility scheduled for correction under the FY 1985 Minor program.

- The Director, VAMC Washington, DC, correctly advised that there is a two foot pitch in the connecting corridor between the basement and the first floors of the Research Building and the main hospital building at that facility. This pitch was an essential design element of the connecting corridor due to existing site constraints which involved storm drainage problems, handicapped access, and an entire parking lot which would have had to be lowered. The Director also expressed concern about deletion of a rotating turnstile in the Dental Treatment Clinic. At the time of construction award, the VA Controller specifically recommended that two add-alternates--the turntable stage ($28,000) and planned porcelain enamel partitions ($200,000) in the dental clinic--be deleted as excessive in terms of both VA and private sector standards. The Administrator approved these deletions. An alternative design and construction solution will be implemented for this space as part of and prior to completion of this construction project.

- The Director, VAMC Dallas, expressed concern that Central Office site teams only visit a medical center two or three times during project development for a total of about nine working days. This may reflect the needed level of interaction on a small project but larger projects, such as the Clinical Addition at Dallas, result in far more interaction. For example, it is anticipated that on the Dallas Clinical Addition project (a potential FY 1986 project), a minimum of 45 days of VAMC/VACO face-to-face contact will be held during the advance planning stage of this project alone, prior to submitting it to Congress in a budget request. Furthermore, a local Dallas A/E will make frequent additional face-to-face contacts with medical center personnel during the advance planning stage.

- The Director, VAMC Cincinnati, highlighted a particular problem in VA Central Office decisionmaking by citing that it took 16 months to gain approval for the relocation of the library and installation of a CAT Scanner in the Clinical Expansion project at that facility. These two items already had been scheduled by DM&S to be met under FY 1984 Minor Miscellaneous projects. However, as a result of the clear direction on funding integrity contained in P.L. 98-45, a decision was made by DM&S to ask for a Scope Change/Cost Limit Increase to add these two projects to the Clinical Expansion project. This decision was made by DM&S in August 1983 for the library and in October 1983 for the CAT Scanner. The two items were then combined into one Scope Change/Cost Limit Increase package. It took several months to subsequently develop cost estimates, ascertain the amount needed for a Cost Limit Increase, prepare the necessary documentation, and obtain internal, OMB and Congressional approval.

In closing, Mr. Chairman, the opportunity to offer this testimony is most appreciated.

OFFICE OF THE ADMINISTRATOR

STATEMENT OF HARRY N. WALTERS, ADMINISTRATOR

ACCOMPANIED BY:

EVERETT ALVAREZ, JR., DEPUTY ADMINISTRATOR
WILLIAM F. SULLIVAN, ASSOCIATE DEPUTY ADMINISTRATOR FOR LOGISTICS
DOMINICK J. ONORATO, ASSOCIATE DEPUTY ADMINISTRATOR FOR INFORMATION RESOURCES MANAGEMENT
JOHN P. MURPHY, GENERAL COUNSEL
CONRAD R. HOFFMAN, DIRECTOR, OFFICE OF BUDGET AND FINANCE (CONTROLLER)
CLARENCE E. MEADE, JR., ACTING DIRECTOR, BUDGET SERVICE
FRANK S. SATO, INSPECTOR GENERAL
DAVID A. COLE, DIRECTOR, OFFICE OF CONGRESSIONAL AFFAIRS
RAYMOND S. BLUNT, DIRECTOR, OFFICE OF PROGRAM PLANNING AND EVALUATION
JACK J. SHARKEY, DIRECTOR, OFFICE OF DATA MANAGEMENT AND TELECOMMUNICATIONS
MICHAEL RUDD, DIRECTOR, OFFICE OF PERSONNEL AND LABOR RELATIONS
PAUL T. BANNAI, CHIEF MEMORIAL AFFAIRS DIRECTOR
GARY L. COLE, DIRECTOR, BUDGET SERVICE
DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR
DONALD M. TWITTY, DIRECTOR, BUDGET STAFF, DEPARTMENT OF VETERANS BENEFITS
DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR
JOHN A. GRONVALL, M.D., DEPUTY CHIEF MEDICAL DIRECTOR
D. EARL BROWN, JR., M.D., ASSOCIATE DEPUTY CHIEF MEDICAL DIRECTOR
MURRAY G. MITTS, M.D., DIRECTOR, PROGRAM ANALYSIS AND DEVELOPMENT
ROY C. McCRACKEN, DIRECTOR, FACILITY ENGINEERING, PLANNING, OFFICE OF CONSTRUCTION
RICHARD P. FALCO, DEPUTY DIRECTOR, FACILITY ENGINEERING, PLANNING, CONSTRUCTION OFFICE
JOSEPH P. TRAVERS, DIRECTOR, RESOURCE MANAGEMENT
WILLIAM A. SALMOND, DIRECTOR, OFFICE OF CONSTRUCTION
WILLIAM D. FOTE, DEPUTY DIRECTOR, OFFICE OF CONSTRUCTION
GERALD E. NEUMANN, DIRECTOR, PROGRAM CONTROL AND ANALYSIS STAFF

VA CONSTRUCTION REQUEST

Senator GARN. Next we will have the Administrator of the Veterans Administration, Mr. Harry Walters, and his associates who appear before the subcommittee to discuss the VA's construction program and the fiscal year 1985 budget.

Mr. Walters, I am happy to welcome you back for your second appearance before this subcommittee. At the outset I would like to commend the entire VA system for the outstanding service that the system is providing as well as the excellent medical research that is being conducted within its facilities.

With this perspective in mind, I would like to move on to some of the areas where we feel changes can be made to make the system more efficient than it has been in the past.

The questions that I will be asking you this morning will be on the construction program, but rest assured that the other important elements of the VA's fiscal year 1985 budget will be covered in a series of questions that I will submit to you for your response in writing for the record.

The construction program request for fiscal year 1985 at $822 million represents about 3 percent of the total VA funding request, while benefits represent about 59 percent and medical programs about 35 percent.

PREPARED STATEMENTS

Mr. Walters, I would appreciate it if you would summarize your opening statement. Your complete statement and those of your three Directors will be included in the record in their entirety.

[The statements follow:]

STATEMENT OF HARRY WALTERS, ADMINISTRATOR OF VETERANS AFFAIRS, VETERANS ADMINISTRATION

Mr. Chairman and members of the Committee, I am pleased to appear before you today to testify in support of the Veterans Administration's fiscal year 1985 budget. This is a good budget which should allow us to serve our Nation's veterans well.

The total budget authority request for 1985 is $27.2 billion, which consists of an appropriation request of $25.8 billion, new proposed legislation with cost increases of $662 million, and funding related to permanent authorizations of $792 million. The request also includes an average employment level of 223,296 to provide appropriate staffing for all VA programs.

Our 1985 estimates represent a net increase of $993 million in budget authority over the requested amount of $26.3 billion for 1984. The 1984 level includes a total supplemental request of $301 million and a legislative proposal for a compensation rate increase costing $161 million. This rate increase has been approved by Congress and signed by the President. We will submit a 1984 supplemental request to support this recent legislation. The 1985 request also provides for a net increase of 2,231 average employment above the 1984 level of 221,065.

I will now highlight the request for the major VA accounts.

Compensation

The appropriation request for Compensation is $9.8 billion. This amount is based on an estimated caseload of 2.3 million veterans and 343 thousand survivors. Two rate increases are also included under proposed legislation - a 3.5% increase effective April 1, 1984, and a 4.3% increase effective April 1, 1985. The 1984 rate increase was enacted on March 2, 1984. Assuming enactment of both of these proposals, the total 1985 requirement will be $10.4 billion, an increase of $349 million over the 1984 level.

Pensions

The Pensions caseload will continue to decrease in 1985. Current estimates are 732 thousand veteran and 818 thousand survivor cases for that year. Total budget authority, however, will increase by $66 million to $4 billion due to an automatic cost-of-living increase of 4.3% effective December 1, 1984. A $101.9 million supplemental for 1984 is also requested.

Burial Benefits and Miscellaneous Assistance

Higher mortality affects all parts of the program and budget requirements are up $1 million to a level of $142.2 million in 1985.

Readjustment Benefits

The number of trainees continues to decline as more veterans pass their ten year delimiting date or attain their educational objectives. We estimate a total of 568 thousand trainees in 1985, 107 thousand below 1984 and 187 thousand below the actual 1983 level. A 1985 appropriation of $1.1 billion is requested for this program and supplemental 1984 requirements of $52.2 million are also requested. In addition, our request proposes new legislation for a 15% rate increase, effective January 1, 1985, at a cost of $132.7 million.

Loan Guaranty

No appropriations are currently requested for this fund for either 1984 or 1985. The VA is currently working with the Department of Housing and Urban Development and the Federal Housing Administration to establish consistent, government-wide regulations covering the acquisition and disposition of properties carrying Federally guaranteed and insured mortgages. When these new regulations are approved, we will report to you our assessment of resource needs for this program.

General Operating Expenses

The budget request for General Operating Expenses is $757 million and 19,500 average employment for the operation of the Department of Veterans Benefits, the Department of Memorial Affairs, and the various staff functions of our Central Office. These levels represent an increase of $34 million in budget authority and a net decrease of 684 average employment from the 1984 level.

Program enhancements include initial staffing and equipment for the National Cemetery at Ft. Mitchell, Alabama and full year funding for the Ft. Richardson, Alaska and Ft. Custer, Michigan National Cemeteries; the addition of 2 new board sections for the Board of Veterans Appeals - for a total of 21; completion of the expansion of Centralized Accounting for Local Management to all regional offices; and, three new ADP initiatives - electronic printing at the Hines, Austin and Philadephia Data Processing Centers, office automation for Central Office and the Data Processing Centers and TARGET network improvements.

In the Department of Veterans Benefits, requirements are up a net of $5.7 million due to higher space rental costs, normal payroll increases, funding for word processing equipment for Regional Offices and a legislative proposal to increase reporting fees payable to institutions of higher learning. Average employment, however, will decrease by 800 to a level of 13,500. Workload decreases and productivity increases will allow a decrease of 432, implementation of the new Federal policy for the housing programs will require 136 fewer average employment, and general management improvements will permit a decrease of 232.

This request also contains pay raise and program supplementals for 1984 totaling $11.4 million.

Medical Care

The Medical care appropriation request for 1985 is $8.8 billion, an increase of $563 million over the 1984 level. Average employment is projected to increase by 2,747 to an all-time high of 193,321. We project treating 5,000 more inpatients to a level of 1.4 million, and outpatient medical visits are projected to increase by 79 thousand to a level of 18.7 million. The increased resources will also provide for the activiation of 10 new VA nursing home care units - Bronx, New York; Dallas, Texas; Denver, Colorado; Fresno, California; Seattle and Spokane, Washington; Washington, D.C.; Wichita, Kansas; West Los Angeles, California; and Salt Lake City, Utah. Two new outpatient clinics will be activated, one in Gainesville (Daytona Beach,) Florida and the other in Pensacola, Florida. These increases will also provide partial year activation resources for four medical centers - Biloxi, Mississippi; Birmingham, Alabama; Chillicothe, Ohio; and Denver,Colorado.

In addition, the 1985 request provides for new or expanded initatives in the areas of automated data processing decentralization; the establishment of a new Geriatric Research, Education and Clinical Center - bringing the total to 10; and an increase of 6 new Hospital Based Home Care programs - expanding the total to 49 programs.

For 1984, supplementals of $118.7 million for the pay raise and $15 million for program requirements are also included.

Medical and Prosthetic Research

The 1985 total request of $192.7 million and 4,595 FTEE for Medical and prosthetic research is $25 million below the 1984 level. This, however, is due to a reduction of $45.3 million in the 1985 requirements for the Agent Orange Epidemiology Study being conducted by the Centers for Disease Control. When the two year funding requirements for this study are excluded, the basic VA research programs increase by $20.3 million and 155 average employment. These increases will continue to support high priority research programs in Agent Orange, aging, health of former POW's, alcoholism, health problems of female veterans, spinal cord injury, delayed stress disorders, cancer, preventive health, and prosthetic/sensory aids. We are also requesting a $1.4 million 1984 supplemental for pay raise requirements.

Medical Administration and Miscellaneous Operating Expenses

The 1985 request for this program of $73 million is an increase of $6 million over the 1984 level. This level of funding, and an average employment increase of 16 to a level of 876, will provide for medical program supervision and administration, a postgraduate and inservice training program of $13.3 million, and a health professional scholarship program of $4.6 million to support 187 full-time and 200 part-time scholarship awards to nursing students in baccalaureate and masters degree programs. The 1984 level includes a supplemental request of $451 thousand for the pay raise.

Construction

The 1985 request for the two construction appropriations totals $821.8 million; the use of reprogrammed funds from previous appropriations will bring the total program level to $941.8 million. This level includes $859.7 million for medical facility projects and $20 million for a design fund, $2.8 million for the Department of Veterans Benefits Regional Office program, $17.2 million for the National Cemetery program, $1 million for the proposed Emergency Fund and $41.1 million for General Administration. As in past years, we are emphasizing the correction of safety and other code deficiencies.

There are 56 projects in the major projects construction request. Seven nursing home care unit projects, including the renovation of an existing structure at West Los Angeles, will add 729 nursing home beds. The clinical improvements category includes three spinal cord injury units. Six outpatient clinic projects, including construction funds for a new independent clinic building in Los Angeles, are also included. We are requesting funds for related site cost, design or initial construction for replacement or modernization projects at VA Medical Centers in Allen Park/Detroit, Michigan; Augusta (Lenwood Division), Georgia; Houston, Texas; Mountain Home, Tennessee; and New York, New York.

While no 1984 supplemental is required, we are requesting that the limitation on General Administration be increased by $668 thousand to accomodate the January 1984 pay raise.

This concludes my prepared statement Mr. Chairman. My staff and I will be pleased to answer your questions regarding the 1985 budget estimates of the Veterans Adminstration.

STATEMENT OF DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR, DEPARTMENT OF MEDICINE AND SURGERY, VETERANS ADMINISTRATION

Mr. Chairman and Members of the Subcommittee:

The Department of Medicine and Surgery is committed to providing quality medical care on a timely basis to all authorized veterans. We search for the most effective and efficient delivery mechanisms to ensure that this care is second to none.

The Fiscal Year 1985 budget submission was formulated in accordance with Presidential policy and subjected to a number of in-depth reviews and modifications. The requested medical program increases of 2,924 average employment (FTEE) and $561 million are for uncontrollables, e.g., inflation and increased payroll needs including the January 1984 pay raise; activation requirements for newly-constructed DM&S field facilities; and essential program changes.

The VA operates the largest Federal health care delivery system in the United States. In Fiscal Year 1985 the Veterans Administration will treat 1.4 million inpatients with over 1.3 million of these treatments in VA facilities. In addition, we will provide for over 16.9 million medical and dental staff visits in our facilities and will administer a fee program providing treatment for 1.8 million medical visits and 27,000 fee dental cases.

A total of 193,321 FTEE and approximately $8.8 billion are requested in Fiscal Year 1985 to accomplish the VA Medical Care mission. This is an increase of 2,747 FTEE and approximately $563 million over the Fiscal Year 1984 budget estimate. Included in this net increase is $360 million associated with uncontrollable increases, and $155 million for facility activations.

Additional resources are requested to support expansion of the affiliation with the Meharry Medical College, an increase in Education and Training activities, increased maintenance and repair and capital investment, and 78,500 additional staff outpatient visits.

In addition, the Fiscal Year 1985 budget request provides for new or expanded initiatives in the area of ADP decentralization, Geriatric Research, Education and Clinical Centers (GRECC's), Hospital Based Home Care (HBHC), Community Nursing and the State Home Programs.

Under Medical Administration and Miscellaneous Operating Expenses (MAMOE), we are requesting 876 FTEE and $73 million in Fiscal Year 1985. This request is an increase of $6 million over the Fiscal Year 1984 level.

Within the MAMOE appropriation, sufficient resources will be available to meet the uncontrollable requirements of payroll and inflation; provide for increased staff support in areas, such as, Strategic Management, Security and Law Enforcement and improvements to the medical record system; continuation of the Administrative Fellowship program; administrative support for the Health Professional Scholarship program; and additional training opportunities for VA staff through the Postgraduate and Inservice Training program.

Support for DM&S Central Office staff is essential if we are to continue to provide medical program supervision and administration, including the development, coordination and implementation of national policies and plans regarding medical care for the veteran population.

For Medical and Prosthetic Research, we are requesting 4,595 FTEE and $192.7 million in Fiscal Year 1985, a decrease of $25 million and an increase of 161 FTEE from the 1984 budget estimate. This, however, includes the change in resource requirements for the Agent Orange Epidemiology Study being conducted by the Centers for Disease Control. In 1985 VA research programs are increasing $20.3 million and 155 FTEE.

The requested level will provide adequate support for ongoing programs and a much needed increase over the 1984 level. Plans to begin replacing obsolete equipment can also be implemented.

Under Grants for Construction of State Extended Care Facilities, we are requesting $34.5 million, an increase of $16.5 million over the 1984 level of $18 million. This will provide funding for six projects adding approximately 400 State Home beds.

We are requesting $500,000 for Grants to the Republic of the Philippines in Fiscal Year 1985, the same as in 1984. Public Law 97-72 authorized this annual grant program to support the maintenance and upkeep of the Veterans Memorial Medical Center physical plant and facilities.

In summary, the request for programs of the Department of Medicine and Surgery totals 202,322 average employment and approximately $9.1 billion, which is 2,924 average employment and $561 million over Fiscal Year 1984 and will allow DM&S to provide for the medical needs of our nation's veterans.

That concludes my statement Mr. Chairman. I will be pleased to answer any questions you or members of the Subcommittee may have.

STATEMENT OF DOROTHY L. STARBUCK, CHIEF BENEFITS DIRECTOR, VETERANS ADMINISTRATION

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE, I AM PLEASED TO PRESENT THE DEPARTMENT OF VETERANS BENEFITS' FISCAL YEAR 1985 APPROPRIATIONS REQUEST. THE DEPARTMENT ADMINISTERS AN INTEGRATED PROGRAM OF VETERAN BENEFITS CONSISTING OF COMPENSATION, PENSION, BURIAL, REINSTATED SURVIVOR BENEFITS, EDUCATION, JOBS TRAINING, VOCATIONAL REHABILITATION AND COUNSELING, LOAN GUARANTY, INSURANCE, FIDUCIARY AND FIELD EXAMINATION, AND VETERANS ASSISTANCE ACTIVITIES. THE DEPARTMENT OF VETERANS BENEFITS' REQUEST FOR $15.6 BILLION REPRESENTS SIXTY PERCENT OF THE VA'S APPROXIMATELY $25.8 BILLION IN APPROPRIATION REQUIREMENTS.

COMPENSATION, PENSIONS, BURIAL AND MISCELLANEOUS BENEFITS ARE THE LARGEST SEGMENT OF OUR BUDGET. OUR 1985 REQUEST FOR THESE BENEFITS IS $13,992,900,000. THIS AMOUNT IS $49 MILLION GREATER THAN OUR 1984 LEVEL WHICH INCLUDES A SUPPLEMENTAL REQUEST OF $101.9 MILLION TO FUND PROJECTED INCREASED PAYMENTS TO OUR BENEFICIARIES. AGAIN THIS YEAR, WE REQUEST THAT COMPENSATION, PENSIONS, AND BURIAL BENEFITS BE APPROPRIATED AS THREE SEPARATE ACCOUNTS.

THE 1985 APPROPRIATION REQUEST FOR COMPENSATION IS $9,844,300,000. THIS REQUEST, WHICH IS $11.7 MILLION LESS THAN 1984, IS BASED UPON:

- A PROJECTED DECREASE OF 7,000 COMPENSATION CASES IN 1985; AND
- AVERAGE COSTS DECREASED BECAUSE OF LOWER AVERAGE DEGREES OF DISABILITY AND A LESSER NUMBER OF BENEFICIARIES PER CASE.

THE COST OF THE RECENTLY ENACTED PL 98-223, WHICH INCREASED COMPENSATION AND CLOTHING ALLOWANCE RATES BY 3.5%, EFFECTIVE APRIL 1, 1984 IS ESTIMATED AT $167.5 MILLION IN 1984 AND $334.7 MILLION IN 1985. THE PROPOSED RATE INCREASE FOR 1985 REMAINS AT 4.3%, EFFECTIVE APRIL 1, 1985. THE COST OF THIS INCREASE IS ESTIMATED AT $205.7 MILLION. SHOULD THE SENSE OF THE CONGRESS PREVAIL HOWEVER, AS EXPRESSED IN PL 98-223, BY ESTABLISHING DECEMBER AS THE EFFECTIVE DATE OF FUTURE RATE INCREASES, THE COST OF THE 4.3% WOULD INCREASE $137.1 MILLION TO $342.8 MILLION.

THE APPROPRIATION REQUEST FOR PENSIONS IS $67.4 MILLION GREATER THAN THE 1984 AMOUNT WHEN ADJUSTED FOR THE $101.9 MILLION SUPPLEMENTAL REQUEST AND TOTALS $4,006,400,000. I WOULD LIKE TO POINT OUT AT THIS TIME, MR. CHAIRMAN, THAT $66 MILLION OF THIS SUPPLEMENTAL WAS BROUGHT ABOUT BY THE NON-ENACTMENT OF OUR 1983 SUPPLEMENTAL REQUEST FOR COMPENSATION.

WE EXPECT A PENSION CASELOAD DECREASE OF 83,100 FROM THE 1984 LEVEL OF 1,633,000. HOWEVER, AVERAGE PAYMENTS ARE EXPECTED TO INCREASE BY $172, PRIMARILY BECAUSE OF THE AUTOMATIC COST-OF-LIVING PROVISION UNDER WHICH THE PENSION PROGRAM OPERATES.

THE BURIAL BENEFITS AND MISCELLANEOUS ASSISTANCE PORTION OF OUR APPROPRIATIONS ENCOMPASSES A COMPREHENSIVE BURIAL BENEFIT PROGRAM, SEVERAL SPECIAL PAYMENT CATEGORIES, MORTGAGE LIFE INSURANCE, AND THE VETERANS GROUP LIFE INSURANCE PROGRAM. DUE TO AN INCREASE IN VETERAN DEATHS AND INCREASED CONTRIBUTIONS BY THE VA TO THE VETERANS MORTGAGE INSURANCE PROGRAM, THE 1985 REQUIREMENTS ARE $1 MILLION GREATER THAN THOSE OF 1984. THE APPROPRIATION REQUEST FOR THIS CATEGORY IS $142,200,000.

TO SUMMARIZE, THE 1985 REQUIREMENTS OF THE ABOVE BENEFIT APPROPRIATIONS ARE ONLY THREE-TENTHS OF A ONE PERCENT HIGHER THAN 1984. THIS FUNDING, HOWEVER, WILL PROVIDE AN AVERAGE MONTHLY COMPENSATION BENEFIT OF $315 FOR NEARLY 2.6 MILLION VETERANS AND THEIR SURVIVORS. IT WILL ALSO PROVIDE MORE THAN 1.5 MILLION VETERANS AND THEIR SURVIVORS AN AVERAGE MONTHLY PENSION INCOME OF $215.

OUR $1,137,800,000 READJUSTMENT BENEFIT APPROPRIATION REQUEST FOR 1985 IS $285.4 MILLION LOWER THAN 1984 WHICH INCLUDES A SUPPLEMENTAL REQUEST OF $52.2 MILLION. THE SUPPLEMENTAL FUNDING, MR. CHAIRMAN, IS REQUESTED IN 1984 BECAUSE:

- OUR 1984 APPROPRIATION (PL 98-45) ASSUMED ENACTMENT OF SAVINGS LEGISLATION, WHICH, IN FACT, WAS NOT ENACTED; AND
- THE NON-ENACTMENT OF THE 1983 SUPPLEMENTAL REQUEST WHICH CAUSED US TO RESCHEDULE SOME PAYMENTS INTO 1984.

A REDUCTION IN THE NUMBER OF G.I. BILL (CHAPTER 34) TRAINEES CONTRIBUTES TO THIS DECREASE. IT IS EXPECTED THAT 103,100 FEWER VETERANS AND SERVICEPERSONS WILL TRAIN IN 1985 THAN IN 1984. THIS DECREASE IS ATTRIBUTABLE TO A GREATER NUMBER OF VETERANS REACHING THEIR 10 YEAR DELIMITING DATE AND FEWER SERVICEPERSONS ELIGIBLE FOR CHAPTER 34 BENEFITS.

PROPOSED LEGISLATION THAT WILL INCREASE RATES BY 15%, EFFECTIVE JANUARY 1, 1985, IS ALSO CONTAINED IN THIS BUDGET. IF ENACTED, OUR REQUIREMENTS WILL INCREASE BY $132.7 MILLION IN 1985.

THESE FUNDS WILL PROVIDE MONTHLY EDUCATION ASSISTANCE PAYMENTS TO: 461,000 VIETNAM ERA VETERANS AND SERVICEPERSONS; 33,000 DISABLED VETERANS IN NEED OF VOCATIONAL REHABILITATION: AND 73,900 CHILDREN AND DEPENDENT SPOUSES. ALSO PROVIDED FOR ARE 500 SPECIALLY ADAPTED HOUSING GRANTS, 700 AUTOMOBILE

GRANTS, AND 6,900 AUTOMOTIVE ADAPTIVE EQUIPMENT ITEMS.

IN FISCAL YEAR 1983, $178.1 MILLION IN OVERPAYMENTS WERE ESTABLISHED, WHICH REPRESENTS A 14.1 PERCENT DECREASE FROM FY 1982. THE BALANCE OF OVERPAYMENTS ON HAND HAS DECREASED FROM $615.5 MILLION AT THE END OF FY 1982 TO $575.1 MILLION AT THE END OF FY 1983.

IN ACCORDANCE WITH PUBLIC LAW 96-466, OUR CENTRALIZED ACCOUNTS RECEIVABLE SYSTEM (CARS) BEGAN CHARGING INTEREST AND ADMINISTRATIVE COSTS OF COLLECTION OF EDUCATION DEBTS IN JULY 1983. THE RATE OF INTEREST CHARGED IS BASED ON THE RATE OF INTEREST PAID BY THE UNITED STATES FOR ITS BORROWING AND IS ADJUSTED AT THE BEGINNING OF EACH FISCAL YEAR. THE INITIAL RATE WAS 15.05% AND WAS REDUCED TO 12.25% ON OCTOBER 1, 1983.

THE PRESIDENT'S BUDGET REFLECTS CERTAIN CHANGES IN THE LOAN GUARANTY PROGRAM WHICH HAVE AN EFFECT ON THE FUNDING FOR THIS PROGRAM. THE IMPLEMENTATION DATE FOR THESE CHANGES HAS BEEN DELAYED FROM MARCH 1ST TO OCTOBER 1, 1984. REPRESENTATIVES FROM VA, FHA, AND FMHA ARE NOW WORKING TO DEVELOP UNIFORM REGULATIONS AND ADMINISTRATIVE PROCEDURES FOR IMPLEMENTING THE BUDGETED PROPOSALS GOVERNMENT-WIDE.

BECAUSE OF THIS DELAY IN IMPLEMENTATION OF PROGRAM REFORMS, A 1984 SUPPLEMENTAL REQUEST IS BEING PREPARED. AN AMENDMENT TO THE 1985 SUBMISSION MAY ALSO BE REQUIRED.

VA'S INSURANCE PROGRAMS MAKE WHAT WE FEEL ARE SIGNIFICANT CONTRIBUTIONS BY PROVIDING INSURANCE PROTECTION FOR VETERANS, THEIR FAMILIES AND DEPENDENTS. SINCE ONLY ONE OF THE SIX GOVERNMENT ADMINISTERED INSURANCE PROGRAMS IS AVAILABLE TO NEW ENROLLEES, THE TOTAL NUMBER OF INSURED VETERANS IS EXPECTED TO DECLINE. ALSO, AS THE AVERAGE AGE OF INSURED VETERANS RISES, DEATH AND DISABILITY CLAIMS CAN BE EXPECTED TO RISE. FOUR OF OUR SIX INSURANCE PROGRAMS PAY DIVIDENDS. IN CALENDAR YEAR 1984, MORE THAN 3.6 MILLION VETERANS WILL SHARE IN A RECORD $721.8 MILLION IN DIVIDENDS.

TWO NEW PROGRAMS ARE ADMINISTERED BY THE DEPARTMENT OF VETERANS BENEFITS. THEY ARE THE REINSTATED ENTITLEMENT PROGRAM FOR SURVIVORS (REPS) AND THE EMERGENCY VETERANS JOB TRAINING PROGRAM. FUNDS FOR REPS ARE PROVIDED BY THE DEPARTMENT OF DEFENSE, WHILE THE JOBS PROGRAM WAS FUNDED DURING 1984 IN TWO PARTS; UNDER THE CONTINUING APPROPRIATIONS FOR FISCAL YEAR 1984 (PL 98-151) AND THE 1984 SUPPLEMENTAL (PL 98-181). WITH AN IMPROVED ECONOMY AND LOWER UNEMPLOYMENT, IT IS FELT THAT THE INITIAL FUNDS, $150 MILLION, WILL BE SUFFICIENT TO MEET THE OBJECTIVES ESTABLISHED FOR THIS PROGRAM. AS A RESULT, NO REQUEST WAS SUBMITTED FOR 1985.

THE FINAL AREA I WOULD LIKE TO ADDRESS TODAY INVOLVES THE DEPARTMENT'S GOE BUDGET REQUEST OF $494,901,000. THIS IS $5,731,000 MORE THAN 1984 AND WILL SUPPORT AN AVERAGE EMPLOYMENT OF 13,500, A REDUCTION OF 800 FROM 1984. THIS INCREASE ALSO REFLECTS $1,585,000 FOR PROPOSED LEGISLATION TO INCREASE THE REPORTING ALLOWANCE FEE PAID TO SCHOOLS.

OF THE 800 REDUCTION IN AVERAGE EMPLOYMENT, 368 IS ATTRIBUTABLE TO IMPLEMENTATION OF RECOMMENDATIONS OF THE PRESIDENT'S PRIVATE SECTOR SURVEY ON COST CONTROL. THE BALANCE (432) REFLECTS THE EFFECT OF WORKLOAD DECLINES AND MANAGEMENT INITIATIVES TO IMPROVE PRODUCTIVITY. ALTHOUGH THE REDUCED EMPLOYMENT EQUATES TO A REDUCTION OF NEARLY $16 MILLION, PAYROLL COSTS ASSOCIATED WITH THE JANUARY 1984 G.S. PAYRAISE AND INCREASES IN CONTRIBUTIONS TO THE MEDICARE, SOCIAL SECURITY AND HEALTH BENEFITS PROGRAMS OFFSET THIS REDUCTION BY $5.8 MILLION. OTHER INCREASES IN RENTS, COMMUNICATIONS, UTILITIES, TRAVEL, AND EQUIPMENT AND THE COST OF THE PROPOSED LEGISLATION MORE THAN OFFSET THE REMAINING SAVINGS FOR A NET INCREASE OF $5.7 MILLION IN 1985.

MR. CHAIRMAN, THIS CONCLUDES MY STATEMENT. WE WILL BE GLAD TO DISCUSS OUR BUDGET WITH THE SUBCOMMITTEE.

STATEMENT OF PAUL T. BANNAI, CHIEF MEMORIAL AFFAIRS DIRECTOR, VETERANS ADMINISTRATION

THE DEPARTMENT OF MEMORIAL AFFAIRS IS RESPONSIBLE FOR THREE VETERANS ADMINISTRATION MISSIONS: FIRST, THE OPERATION AND MAINTENANCE OF THE VETERANS ADMINISTRATION NATIONAL CEMETERY SYSTEM; SECOND, THE PROCUREMENT AND SHIPMENT TO DESTINATION OF HEADSTONES AND MARKERS FURNISHED UPON APPLICATION FOR GRAVES IN BOTH NATIONAL AND PRIVATE CEMETERIES; AND THIRD, THE GRANT PROGRAM FOR AID TO STATES IN ESTABLISHING, EXPANDING OR IMPROVING STATE VETERANS CEMETERIES.

THE MANAGEMENT STRUCTURE WITHIN THE DEPARTMENT OF MEMORIAL AFFAIRS TO SUPERVISE AND CONTROL OUR ASSIGNED MISSIONS CONSISTS OF A CENTRAL OFFICE STAFF AND THREE OFFICES, PRESENTLY LOCATED IN PHILADELPHIA, ATLANTA AND DENVER.

A TOTAL OF 140 CEMETERIAL INSTALLATIONS ARE NOW INCLUDED IN THE NATIONAL CEMETERY SYSTEM, OF WHICH 108 ARE NATIONAL CEMETERIES AND 32 ARE MISCELLANEOUS BURIAL PLOTS AND MONUMENT SITES. THE 108 NATIONAL CEMETERIES INCLUDE THE NEW REGIONAL CEMETERY AT INDIANTOWN GAP, PA WHICH OPENED IN SEPTEMBER 1982; THE QUANTICO, VA NATIONAL CEMETERY WHICH OPENED IN MAY 1983; AND THE REGIONAL CEMETERY AT FT. CUSTER, MICHIGAN. VA TOOK OVER OPERATIONAL CONTROL OF THE FT. CUSTER CEMETERY ON FEBRUARY 1, 1984. THE POST CEMETERY AT FT. RICHARDSON IN ANCHORAGE, ALASKA IS PLANNED TO OPEN AS A NATIONAL CEMETERY THIS SPRING.

RESOURCES ARE ALSO INCLUDED IN 1985 FOR THE INITIAL STAFFING AND EQUIPMENT NEEDS FOR THE REGIONAL CEMETERY AT FT. MITCHELL, ALABAMA. THIS CEMETERY IS SCHEDULED TO OPEN IN 1986.

UNDER THE GENERAL OPERATING EXPENSES APPROPRIATION, WE ARE REQUESTING $44,344,000 IN BUDGET AUTHORITY FOR CEMETERIAL OPERATIONS AND MAINTENANCE. SOME 67% OR $29,927,000 OF THIS IS FOR SALARIES AND OTHER RELATED BENEFITS AND WILL FUND AN AVERAGE EMPLOYMENT OF 1,218. THE OTHER 33% OR $14,417,000 WILL BE USED FOR EQUIPMENT, SUPPLIES, FUEL, CONTRACTS AND COMMUNICATIONS.

DURING 1985, WE EXPECT TO ACCOMPLISH 47,800 INTERMENTS AND MAINTAIN 1,583,000 OCCUPIED GRAVESITES. IN ADDITION, OUR WORKLOAD INCLUDES THE PROCESSING OF 308,000 APPLICATIONS FOR HEADSTONES AND MARKERS.

THE 1,218 AVERAGE EMPLOYMENT WE PLAN TO FUND IN 1985 INCLUDES AN AVERAGE OF 389 GENERAL SCHEDULE EMPLOYEES AND 829 WAGE GRADE EMPLOYEES. WE HAVE COMPUTED THE PERSONNEL REQUIREMENTS ON THE WORKLOAD RATIO OF ONE EMPLOYEE PER 167 INTERMENTS AND ONE EMPLOYEE TO MAINTAIN 2,900 OCCUPIED GRAVESITES. THE 1,218 EMPLOYMENT REQUEST REPRESENTS AN INCREASE OF 25 POSITIONS OVER THE 1984 LEVEL OF 1,193. THIS INCREASE WILL BE USED TO COVER THE INCREASINGLY GROWING INTERMENT AND GRAVESITE MAINTENANCE WORKLOAD.

THE 1985 REQUEST FOR CONSTRUCTION FUNDS TOTALS $17,174,000. WITH THESE FUNDS, WE WILL DEVELOP 40,000 GRAVESITES AND ADDITIONAL FACILITIES AT RIVERSIDE NATIONAL CEMETERY AND CONSTRUCT AN ADMINISTRATION/SERVICE BUILDING COMPLEX AT FT. SNELLING, MN. INCLUDED IN THE REQUESTED AMOUNT IS $7,800,000 IN CONSTRUCTION MINOR FUNDS TO PROVIDE NEEDED CEMETERY FACILITY IMPROVEMENTS.

1985 WILL BE OUR SIXTH YEAR OF OPERATION OF THE STATE CEMETERY GRANT PROGRAM. $3,000,000 WAS APPROPRIATED FOR 1984. A TOTAL OF $5,000,000 IS REQUESTED FOR 1985.

THAT BRIEFLY SUMMARIZES THE 1985 BUDGET REQUEST FOR THE DEPARTMENT OF MEMORIAL AFFAIRS. I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.

SUMMARY OF STATEMENT

Senator GARN. Please proceed.

Mr. WALTERS. Thank you, Mr. Chairman.

It is a pleasure to appear before you today in support of the Veterans Administration's 1985 budget request. I will submit my official statement for the record. I am particularly pleased to offer this budget and to have the opportunity to discuss briefly the goals and initiatives which lie behind the figures. Through this budget, the President has once again emphasized his strong commitment to help veterans and we at the Veterans Administration stand ready to carry out that commitment.

The VA faces many challenges in the coming years, and I am confident that we are moving in the right direction to meet those challenges. I believe the initiatives which make up this 1985 budget must be implemented in order to maintain our progressive stance in caring for the veteran population.

SPECIAL NEEDS ADDRESSED

One of our greatest responsibilities at the Veterans Administration is to serve those segments of our veteran population who have special needs and to take the necessary steps to meet, even to anticipate, those needs. Our 1985 budget request addresses the particular concerns of aging veterans, Vietnam veterans, female veterans, and former prisoners of war.

For aging veterans we are establishing a number of research and training centers on aging and geriatric problems, as well as a variety of programs for patients with chronic conditions associated with aging. We have established a fellowship program in geriatrics for physicians to staff geriatric evaluation units at VA medical centers. And lastly, we are developing a comprehensive agency plan on aging which will outline specific strategies for meeting the needs of the aging veteran as to include a plan for construction development.

VIETNAM VETERANS TARGETED

The GI bill rate increase proposal and the jobs program are aimed specifically at Vietnam veterans. We are requesting funds to allow vocational training extensions for certain veterans under the GI bill. We are also developing two studies designed to better meet the special needs of many Vietnam-era veterans. One of the studies will analyze post-traumatic stress disorder and related conditions and the second will evaluate the continuing readjustment problems of Vietnam-era veterans and design plans for resolving those problems. Agent orange research, another challenge related to the Vietnam experience, has been designated a high-priority initiative, and our budget request contains $4.4 million for this purpose.

I have committed the agency to integrate female veteran needs into our plans and operations on a priority basis. A nationwide survey of female veterans is being conducted to establish baseline data for the current population and to estimate future support requirements. In addition, I have established an Advisory Committee on Women Veterans to consult with me.

During the past 18 months, working closely with the service organizations and the media, we initiated an outreach campaign to help identify former POW's who were unknown to the VA. An Advisory Committee on Former Prisoners of War has been established to advise me on the administration of benefits for former POW's and on the needs of these very special veterans. The committee has already made a number of recommendations which have been implemented by the VA.

SALT LAKE CITY AMBULATORY CARE AND CLINICAL ADDITION PROJECT

I would like now, Mr. Chairman, to take a few moments to discuss some issues of mutual concern in conjunction with our ambulatory care and clinical addition project at the Salt Lake City Medical Center. I have recently visited the medical center myself and had an opportunity to see firsthand the fact that something, indeed, in the program needs to be fixed in the Salt Lake City arena. To avoid recurrences of the types of problems experienced at Salt Lake City, I have issued a policy guidance document titled "Funding Integrity in the Veterans Administration Capital Improvement Program." A copy will be provided the committee if they have not yet received it.

FOUR AREAS OF CONCERN

Specifically, I have issued guidance to VA personnel in four areas of concern: (1) Completing or changing a major project soon after it is finished by use of other projects or sources of funds; (2) supplementing a major project during its construction with other projects or from other sources of funds; (3) commingling funds from two or more appropriations on one construction contract; and (4) piecemealing, project splitting, or fragmentation of projects to avoid a cost, appropriation, or other financial management limitation.

My guidance in these areas also directs the development of formal implementation instructions and procedures which will be distributed to all affected VA central office and field staff. I anticipate that detailed directives, including manual changes as necessary, will be available within the next few months.

As a result of the findings at Salt Lake City and the ensuing actions, we undoubtedly will see an increase in requests for project reprogrammings and changes in scope. These requests will be required by the procedures we have initiated to ensure funding integrity in projects under construction or in projects in development prior to the contract award.

INITIATIVES TO IMPROVE CONSTRUCTION PROCESS

In addition to these special actions in response to the Salt Lake City experience, we have also undertaken a number of other initiatives to improve the VA's overall construction process. These initiatives include:

A comprehensive study of the VA's organization and procedures for constructing health care facilities. I am pleased to report that the study was awarded to Booz, Allen & Hamilton which, with an architectural firm, will begin that study very shortly.

Development of a design prototype for VA nursing homes which will be ready for our fiscal year 1986 program. We are also developing prototypes for our domiciliaries, warehouses, regional offices, and laundries with an obvious eye for developing some prototype at some time in the future for our hospitals as well.

Reevaluation of VA design and construction standards and specifications in an effort to reduce VA construction costs.

Capital facilities studies of 135 VA medical centers to survey physical plant conditions. This marks the first comprehensive accumulation of such data by the VA.

AGING PLAN

Last, but not least, I mention once again the fact that we are about ready to submit to the Congress and to the executive branch of government an aging plan which will review the demographics, which will review the needs of this agency up to and including the year 2000, and which includes construction data as well. This plan should be available this spring and it is under review right now.

There are also many other issues of importance to both the VA and the administration which time precludes us from mentioning. Our individual initiatives regarding each of these issues are directed toward specific goals and they all share as a part of their foundation a general sense of mission to our preferred class of citizenry—the veteran.

I will be pleased to answer any questions the committee may have, Mr. Chairman.

Senator GARN. Thank you very much, Mr. Walters.

DECENTRALIZATION OF THE PROCESS

We had the opportunity to listen to six of your medical directors and the specific problems they talked about. One of their major recommendations was consensus with decentralization. Do you agree with that?

Mr. WALTERS. I believe I do agree with it, Mr. Chairman. I have made the statement often that the real action in the VA lies in the 172 individuals who are in charge of our hospital care system out there. I will caveat that, however, with the fact that 10 years ago there was a dramatic move for centralization of the construction process with the removal of certain elements of construction from the Department of Medicine and Surgery to the Office of Construction in an effort to centralize. So the centralization versus decentralization issue is one which, obviously, the agency has dealt with before. The agency chose centralization at one point in time. I view decentralization as the way to go and will direct, of course, that this study by Booz, Allen & Hamilton take a very careful look at decentralization of the process.

Senator GARN. Before I forget, will you supply the subcommittee with a copy of the documents that you referred to for the record?

Mr. WALTERS. Yes, sir, I certainly will.

[The information follows:]

Veterans Administration
Washington, D.C. 20420

CIRCULAR 00-84-6

March 21, 1984

FUNDING INTEGRITY IN THE VETERANS ADMINISTRATION CAPITAL IMPROVEMENT PROGRAM

1. **PURPOSE.** The purpose of this circular is to promulgate policy guidance for use in planning, proposing, and completing capital improvement projects of all types.

2. **DISCUSSION**

a. Recent congressional criticism and an Inspector General report have disclosed that policies and procedures related to VA capital improvement projects require clarification and reemphasis.

b. Attached is policy guidance for your use in planning, proposing and completing capital improvement projects of all types. The Chief Medical Director, the Director, Office of Budget and Finance (Controller), and the Associate Deputy Administrator for Logistics have been directed to issue specific directives within 6 months.

c. I do not intend to limit the necessary authority of responsible VA officials by this issuance. However, there will be no flexibility in the use of appropriated funds except as provided by law. The financial flexability available to managers, permitting appropriate responses to local conditions, is circumscribed to the extent necessary to uphold valid principles of cost, control and accountability consistent with law.

d. Capital improvement projects typically span several years from initial planning to construction contract award. Costs necessarily established early in the process are subject to fluctuations in the bidding market and escalation trends during the intervening years. It is incumbent upon responsible managers to assure that construction projects are adequately funded from the beginning, by providing appropriate allowances for escalation, contingency and other factors. If actual bids exceed our best estimates, then the most appropriate course of action is to seek the additional funds needed to assure delivery of a complete project. The expenditure of funding shortfall in a major project.

3. **EFFECTIVE DATE OF IMPLEMENTATION.** This circular is effective on March 21, 1984.

4. **RESCISSION:** The circular expires on December 31, 1985.

Harry N. Walters

HARRY N. WALTERS
Administrator

ATTACHMENT

FUNDING INTEGRITY IN THE VETERANS ADMINISTRATION CAPITAL IMPROVEMENT PROGRAM

POLICY GUIDANCE

1. **BACKGROUND.** As a result of the review of some recently completed construction projects, it is clear that project modifications and fund utilization have occurred in a manner which reflects a perception of greater flexibility in these areas than is provided for in law. We must assure that (a) responsibility is fixed for project approval actions and (b) funding integrity is maintained. It is, therefore, necessary that clear guidance is provided to managers at all levels of management. This is especially true now that use of other sources of funds to construct, alter, extend or improve major construction projects has been limited by the provisions of Public Law 98-45 as discussed below. This new limitation prevents otherwise appropriate expenditures in order to preserve the integrity of the construction, major projects appropriation.

2. **ACTION.** This document sets forth policy guidance in several general areas, provides a timetable for further implementation, and assigns responsibility to selected officials and offices. All affected officials will initiate procedures to ensure that these policies are put into effect immediately.

3. **POLICY GUIDANCE.**

a. *Completing or changing a major project soon after it is finished by use of other projects or sources of funds, or supplementing a major project during its construction with other projects or from other sources of funds is inappropriate and will not be permitted without full justification and Central Office approval.*

(1) It is expected by Congress and the President, and intended by the VA, that the budgeted cost of a major construction project is its true maximum total direct cost, exclusive of activation related costs. This expectation was recently emphasized in Public Law 98-45 which provided "that no funds from any other account may be obligated for constructing, altering, ex-

tending, or improving a project which was approved in the budget process and funded in this account until one year after final acceptance of the project by the Veterans Administration."

(2) It is, therefore, inappropriate to supplement a budgeted major project during, or for 1 year subsequent to its completion. This includes the use of other projects, regardless of their funding sources, for the purpose of changing or increasing the scope of work to be accomplished. These projects shall not be used to avoid the need to formally seek any additional major project funds required to complete the scope of work originally justified to the Administrator, the President and Congress. Supplementation in this manner obviously understates true project cost.

(3) When the need to exceed a major project's budgeted cost arises, funding supplementation will be permitted only when the needed funds have formally and openly been added to the budgeted project cost. This can be accomplished either by means of reprogramming or by means of additional appropriations for that purpose. The agency will formally seek such funding whenever a change or increase in project scope is required to permit delivery of an appropriately "complete" major project.

(4) Because of the potential for waste, it is also inappropriate to permit completion of a major project as specified and then immediately change completed work. This is true even where project funds are available, unless circumstances indicate that such an approach, all factors considered, is in the best interest of the Government. The decision to allow such action to occur requires a full review and approval by the Chief Medical Director and the Associate Deputy Administrator for Logistics.

(5) The most appropriate course of action is to assure that projects are adequately funded from the beginning This requires thoughtful analysis, forecasting, and intelligent estimating techniques which will tend to offset the fluctuations in actual bid prices produced by varying bidding climates and swings in escalation. It is incumbent upon responsible managers to assure project estimates reflect these considerations.

b. *Commingling funds from two or more appropriations on one construction contract is not permitted.* It is a basic tenet of appropriations law that appropriated funds are available for expenditure only against the objects for which the appropriations are made. Therefore, when it is determined to be in the best interest of the Government to award, under a single contract, items properly funded from different accounts or appropriations, the contract costs must be kept separate, and they must be charged to the appropriation or account available for those items. This can be accomplished by means of separate bid items or any other acceptable method of accounting. It is inappropriate to mix multiple appropriations under a single contract if the result will be an inability to identify the costs against which the funds from each appropriation are to be applied.

c. *"Piecemealing", "project splitting" or fragmentation of projects to avoid a cost, appropriation or other financial management limitation are inappropriate and will not be permitted.*

(1) "Piecemealing" is not a clearly defined term. It is generally understood to be the practice of separating a larger unit of work into smaller pieces of work in order to achieve some inappropriate purpose (such as avoiding a cost limitation). The practice manifests itself when accomplishing something less than all the "pieces" required to achieve a complete product or project (such as an emergency generator left unconnected to an emergency electrical distribution system) requiring additional expenditures to render the project functionally complete.

(2) This practice is similar to that of supplementation and is, therefore, inappropriate. It also tends to mask the total cost of the work intended to be performed, it may be more costly and wasteful when completed, risks substantial waste if expected funding fails to materialize, and tends to distort priorities. This is not intended to discourage the appropriate phasing of any work or purchases, particularly where doing so was determined to be in the best interest of the Government and a functionally complete project results. However, legal and administrative limitations are not to be violated. Piecemealing will not be found to exist where each piece accomplished is of itself a complete unit of work, even if it is one of a series of such pieces that are planned to accomplish a larger purpose (such as doing one nursing unit renovation at a time, leading to a completely remodeled nursing wing). Use of a series of such pieces to accomplish a larger purpose will be reported to the DM&S Facility Engineering, Planning and Construction Office for review and approval.

4. **IMPLEMENTATION.** Detailed implementation instructions and procedures for this policy guidance will be issued within 6 months from the date of publication of this document. This detailed implementation process will be consistent with the following outline of responsibility assigned to the various organizational elements in the construction program:

a. **Medical Facility.** Each medical center Director is responsible for ensuring that the above policy guidance is incorporated into the interpretation of the existing procurement practices relating to construction at their respective facility. In addition, planning, programming and selection of projects at each VA facility will reflect adherence to these policies in every case. All submissions of VA Form 10-1193, Application for Health Care Facility Project, to VA Central Office will describe the extent to which the proposed project relates to, depends upon or is physically intertwined with other projects or procurements in sufficient detail to demonstrate the propriety of the strategy involved and the prospective funding plan proposed. Specifically, any request, submission or approval of work related to an ongoing or recently completed major project will be clearly identified and described.

b. **Regional and Medical District Directors**

(1) **Region (10BA).** Regional Directors are responsible for assuring compliance with the above policy guidance when reviewing, selecting, or approving projects within their sphere of responsibility. Regional Directors do not have authority to select or approve a project which would violate these policies.

(2) **Medical District (MDD).** Each medical district Director is responsible for assuring compliance with the above policy guidance, by each medical facility within that district, when selecting or recommending for approval projects within authority currently delegated to the district. District Directors do not have authority to select or recommend for approval a project which would violate these policies.

c. **Department of Medicine and Surgery (DM&S), Central Office**

(1) **Facility Engineering, Planning, and Construction Office (FEPAC) (10A4).** The Director, FEPAC, has continuing responsibility for formulating and proposing procedural changes that will facilitate the implementation of these policies by Medical Center and Medical District Directors. This responsibility extends to the point of identifying to the appropriate selecting or approving official, a proposed capital activity which potentially conflicts with the policies stated above.

(2) **DM&S Construction Project Review Board (CPRB).** Where the selecting or approving authority has not been delegated to a medical center or district Director, and where a proposed project potentially conflicts with the above policies, a determination will be made as to how each project shall be accomplished and funded. This determination will be consistent with the above policies and will be based on a recommendation by a DM&S Construction Project Review Board made up of representatives from each of the three services in FEPAC and the appropriate Regional Director's office. The CPRB will make recommendations to the approving or selecting official who will establish the position on the proposal, consistent with the above policies. The CPRB will convene as often as necessary to dispose of the proposals it must consider and will publish the results of the meetings for all interested offices and VA facilities.

d. **Office of Construction (O/C) (08).** The O/C (Office of Construction) has financial accountability for construction appropriations. The Department of Medicine and Surgery's positions on project proposals which entail expenditure of construction funds will be submitted for O/C consideration through existing administrative mechanisms (such as the Budget Preparation Process, the Completion Items Review Board, requests for funding of DM&S approved minor miscellaneous projects, proposals for scope changes, etc.). The O/C retains its current responsibilities for financial management of the construction appropriations and will carry them out consistent with the policies above.

e. **Office of Budget and Finance (Controller) (04).** Aside from its normal budget formulation and execution functions, the Office of Budget and Finance (Controller) is responsible for reviewing the funding propriety of all construction appropriation related proposals. Recommendations made by Office of Budget and Finance (Controller) will be the product of full consideration of the effect of those recommendations on the above policies.

Circular 00-84-6, "Funding Integrity in the Veterans Administration Capital Improvement Program," dated March 21, 1984, is corrected as follows:

Page 1, paragraph 2d, line 6: After "The expenditure of" insert "funds from other accounts is not an appropriate solution to a". (A typographical error is corrected.)

RESPONSIVENESS TO VAMC DIRECTORS

Senator GARN. Well, I suppose the issue is where you draw the line between centralization and decentralization but, during the last year, we have had several conversations on those issues. You mentioned you had been to Salt Lake City. Are your people getting out and looking at some of these problems on site? Can any of you tell me why there is a 2-foot deviation? I mean I realize that is a relatively minor problem to the ones that we are talking about, but it seems to me symptomatic of the construction process. I really find that one hard to believe. It is symptomatic that in 75 feet there is a 2-foot deviation. I mean, I am not a carpenter or plumber or anything, but I think I could see 2 feet. It just baffles me.

My question is more general. When we have these problems you have got the top people back here in Washington in the centralized part of it. Are they going out and looking? Are they responding to the medical center directors instead of looking at reports and letting them sit around for 16 months? I would be glad to increase your travel budgets if you will go look.

Mr. WALTERS. We would appreciate that increase immediately, Mr. Chairman; Dr. Custis will reflect on that.

The answer to your question is "Yes." Dr. Custis has been out, Dr. Gronvall has been out. Those are the offices that search and it is in their area of responsibility, particularly over the last 4 or 5 months, I might add. Much interest is being paid to the potential of the inspection process.

I might add, however, that I started my career with a large corporation by the name of Kimberly Clark, a little paper mill in Shasta, Calif., which put the wrong size machine in, so I do know that Murphy's law exists. Mistakes do get made and these do affect management, although a good goal for everyone is that which is obtainable in the real sense of the word.

Senator GARN. Well, I agree that it is impossible and it happens in the private sector, but not to the level over and over and over again as it has in this construction process.

ACCOUNTABILITY FOR CONSTRUCTION

Mr. WALTERS. I am not in a position to judge the entire VA construction system of a billion dollars in terms of the percentage of defects versus the percentage of things we do right and compare that to the private sector, I just don't know. I do know though that we must improve. We should and we will.

This is one thing I would like to mention. You asked me to review some of the medical center directors' comments. It is very interesting that many of them, for example, mentioned flexibility. Flexibility sometimes can be in the eyes of the beholder, but with flexibility comes accountability, and with decentralization comes accountability. The very gentlemen who were sitting here at this table are liable to inherit some more accountability for the construction process. I assume they know that with their comments comes accountability. I want to make sure we get that on the record.

In addition, I thought it was a very interesting opportunity for each director to indicate where the system is flawed. I also find that it is flawed in a lot of other places besides the medical center. For example, I think the General Counsel should look at how we hold a contractor accountable for an obvious defect in the construction of a hospital. I find in Salt Lake City, Mr. Chairman, one of the contractors, in my view, should be accountable for at least two defects, as a matter of fact, and I find that we are struggling now to get that accountability. That process must be reviewed as well, and I have asked General Counsel to look into it.

CONTRACTORS' LIABILITY

Senator GARN. Well, on that point, is that such a difficult thing to do as far as the future? I am not talking about going back, but we used to put in penalty clauses or certainly accountability requiring contractors to come back if something was not right. I will guarantee you that in the ones that I put out if they missed by 2 feet they would come back and tear it out and do it all over again. If it bankrupted them, so be it. There were penalty clauses for going over and there were reward clauses of so many thousand dollars a day if they finished early. There were rewards for doing a decent job. Most of the change orders were performed at no cost to the city because that was the way the contracts were written, and if they wanted to bid on that basis, fine; if they didn't, that was fine. I agree with you, contractors have got a responsibility to do the job they were supposed to do, so how are we writing the contract?

Mr. WALTERS. Well, it is not just the writing of the contract. It is also how and when we accept the project as completed. We give the contractor a way out of his contract since we have accepted these defects as not being defects. Later, it may turn out the contractor will argue, so we ask the General Counsel to ensure that we close loopholes on that basis if the contractor is indeed responsible. All in all, I agree with the medical center directors, Mr. Chairman.

Senator GARN. Is Dr. Brown here, the Associate Deputy Chief Medical Director?

Dr. BROWN. Yes, sir.

PERSONNEL ACTIONS

Senator GARN. Dr. Brown, my purpose is not to try and blame any particular individuals one way or another or to establish any culpability, but I would like to understand the motivation for some of the actions at VA headquarters that were taken.

The Director of the Salt Lake City Medical Center indicated in a letter to you that he could characterize the new addition in no other terms than a failure.

In your October 29, 1983, letter concerning the construction irregularities at Salt Lake City, you stated that you were considering convening a screening committee to demote or reassign the medical center director. Then the actions taken consisted of written reprimands. I am trying to determine what was going on. What was going on in your thinking? Was it your feeling that this was all local, that there was no problem in the Office of Construction or any place else? Was it your feeling that all of these things happened just in Salt Lake City or what?

Dr. BROWN. No, sir. My responsibility is within DM&S and my responsibility was to review the records that we had in regard to what occurred at Salt Lake City and within the DM&S itself. In order to comply with VA regulations and also to afford due process to those employees who were implicated by the records that I reviewed, I did send a letter to each individual. In those letters I did three things. First of all I stated our impression of how they were involved in the problems. Second, I told them what the maximum penalty being considered in central office would be. Third, I asked for their input; I asked for their response. They did so and only after considering their responses and information that we gathered from all other sources would the decision be made. This was a maximum penalty that was being considered based on what we reviewed.

On December 8, Mr. Chairman, you sent a letter to Mr. Walters in which you expressed your interest and also your belief that personnel matters should be handled within the VA. You also forwarded to us with that letter all the correspondence that you had received and this, too, was considered and reviewed.

On December 19, Dr. Custis made a trip to Salt Lake City to personally look into the deficiencies which had been reported so he had firsthand knowledge of what was provided us from that standpoint. Following the gathering of this information and response from all the employees, we consulted with the Director of Personnel and with General Counsel. Dr. Custis consulted with the Deputy and with me. A decision was made regarding the appropriate action after considering all of the input that had been received.

On January 24, Mr. Walters forwarded to you a letter which included both the letters that I had sent, the response from the field, and the rationale by Dr. Custis for the decisions that were made.

Senator GARN. Thank you, Dr. Brown.

BUREAUCRATIC PROCESS

It seems to me through this whole process that certainly it is no individual that is to blame. I agree with the medical center directors that it is the process. That is what I am trying to get at. You are all tied up in a bureaucratic process that is not functioning very well and that is what I think we have got to aim at in trying to work together to change that process rather than looking for individuals to make scapegoats. I think the evidence is so abundantly clear over a number of years that the construction process is not being done as efficiently and reasonably as it ought to be. I am being generous in the way I describe that. Thank you for your comments.

Dr. Custis, did you wish to add to that?

Dr. CUSTIS. Not really, Mr. Chairman. I think it should be said, however, that the methodologies used in this process were merely following practices outlined in our manual. Once this need for an investigation was established, then the nature and content of the letters were under General Counsel's advice in keeping with a routine procedure.

Senator GARN. Well, I understand what you are saying. Primarily, I suppose, Mr. Walters' and my responsibility is to see what we can do about the process. I understand you have rules and regulations to follow. I said I spent 24 years in the military, I know about the squares to fill and the boxes and so on, but that is not the major problem. The underlying problem is this construction process and how do we improve it. That is what I am really aiming at and wanted to establish here today. I think we all have a responsibility to try and do it and I realize it cannot be done overnight and cannot be done quickly and I would just hope—some progress has been made in the last year. I would hope next year when we are together again that we can show some additional progress. I don't expect it to be all clean and perfect and running smoothly by a year from now, that is unrealistic to expect.

IMPROVING FLEXIBILITY

Just once again I leave you with my willingness to cooperate in any way that I or the staff can so that we don't have these kinds of difficulties, or at least we minimize them. I am realistic enough to realize, Harry, that mistakes go on in the private sector. It is not just in Government. They are hard to get a handle on, I recognize that. This process just seems to me to have been so centralized and so bureaucratized, so lacking in flexibility to make decisions, and such a long time to make decisions, and that appears to me to be one of the major problems at this time.

Things do change. You didn't have CAT scanners a few years ago and you didn't need some of the things you do now. We could improve the process by just shortening it. I think that would avoid quite a few of the problems which you are now having. There are continual technological changes and patient care need changes from the time a project is conceived until it is completed. We should continue to work together to explore ways to try and shorten the process and give more flexibility to it.

I would also agree that with flexibility and decentralization comes accountability. There are probably some medical directors who don't want that responsibility and would prefer to toss it back up here. I want you to know that I understand all of those problems in one way or another. I have been involved, but not with hospitals. I have been an administrator and not just a legislator.

I appreciate all of you being here today.

I look forward to working with all of you to try and solve this problem.

Thank you very much.

Mr. WALTERS. Thank you, Mr. Chairman.

Senator GARN. I suppose in a way all of you have been saved by the bell; that is a vote.

SUBMITTED QUESTIONS

I do have a lot of additional questions but it is unrealistic to expect with the hour for me to get over and vote and come back to have you all sitting here while I do that. That is why I was summarizing my feelings on this process. We have a lot of additional questions that I would like your response to for the record. The questions deal with the rest of the budget in detail, along with some additional questions on the construction process. I would like you to respond to these in writing.

In addition to my questions, Senator Huddleston and Senator Leahy will also submit questions to you in writing.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

SAN FRANCISCO PARKING

Question: What is the status of the parking situation at the San Francisco VAMC?

Answer: As a result of unsuccessful negotiations with the U.S. Department of the Interior to obtain the only available nearby land upon which additional parking areas could be constructed, the VA has requested funding in the FY 1985 budget to add two decks of parking onto the two-deck parking structure being constructed as part of a FY 1984 120-Bed Nursing Home Care Unit/Parking project at VAMC San Francisco. Pending completion of the parking structure, the Department of the Interior has advised the VA that it will assist the VA in meeting its parking needs on a temporary basis.

The need for an additional parking area was based upon the shortage of parking and the unavailability of land upon which additional parking could be constructed. The nursing home care unit project submission proposed two parking decks, with the capability of expansion for two additional decks. The first two parking decks would replace the parking lost due to construction of the nursing home care unit and would meet the additional parking requirements generated by the nursing home care program. However, a current deficit of 153 parking spaces also exists at the Medical Center. The two additional parking levels proposed in FY 1985 (85 cars per level) would alleviate that problem.

ALEXANDRIA, LA NURSING HOME

Question: This is one of five projects whose final design work was to be completed using VA staff during FY 1984 even though the project is part of the FY 1985 request. I notice that this project should be completed in October 1986 while the other nursing home projects in the budget have completion dates of a year or more later.

Is the early completion the result of being able to prepare the working drawings while the Congress has been considering the FY 1985 budget?

Answer: Yes. By proceeding directly from preliminary design into working drawings, the VA has been able to advance the project schedule in the same manner as would occur with the Design Fund.

Question: Do you anticipate similar efficiencies for the other four projects?

Answer: Yes, we anticipate similar efficiencies for all of the other projects except the laundry project at American Lake. Working drawings cannot begin until the laundry equipment is identified. Although we are proceeding with the equipment procurement, we cannot actually do the procurement until funds are available for the equipment.

WEST LOS ANGELES NURSING HOME CARE CONVERSION

Question: The budget justification for this project indicates that you considered and rejected the more costly alternative of new construction. Instead, you are proposing to convert an existing building to provide 117 new nursing home beds. I notice that your estimate of cost per gross square foot for this project ($49.48) is substantially less than the six other projects which involve new construction. However, this project involves 73,888 gross square feet while the three 120-bed nursing homes average about 47,000 gross square feet.

Why does this project involve so much more space?

Answer: The gross square footage includes a basement which will not be used for the nursing home; however, we are required to bring the basement up to fire and safety codes. The basement has 17,828 square feet. Also, 3,000 square feet of penthouse mechanical space are included along with 2,000 square feet of presently unassigned square feet on one of the nursing home floors. Taking out the above mentioned spaces leaves approximately 48,484 square feet.

Question: Couldn't you provide more beds applying the same space criteria used for new construction?

Answer: The 48,484 square feet in an existing building compare very favorably with the approximate 47,000 square feet of new nursing home construction.

LONG BEACH SPINAL CORD INJURY UNIT

Question: You are requesting $23 million to build a new two-story structure and to renovate existing space in Building 122 to accommodate 30 intensive care beds, 90 sustaining care beds and 40 long-term care beds. What are the differences among these three levels of care for spinal cord patients?

Answer: Patient care requirements for each of the three levels of care are described below:

(1) Intensive Rehabilitation Units which provide multidisciplinary team effort toward bringing patients to the highest possible level of rehabilitation and eventual return to the community. After initial injury, patients are usually brought to the nearest hospital to receive acute care. When stabilized, patients are transferred to Intensive Rehabilitation Units for four to eight months of specialized care which will enable them to return to gainful employment in the community.

(2) Sustaining Care Units which provide short term care for complications which may arise in the SCI patient once back in the community. These centers also offer to the independent patients, discharged from Intensive Rehabilitation Units, the care needed to maintain the

functional level achieved during their primary rehabilitation phase.

(3) Long-Term Care Units which provide continuous care for those patients unable to leave the hospital in spite of the efforts made in intensive rehabilitation.

Question: What differences in construction does this present?

Answer: Long-term patients require more hopper/shower room, visitor's lounge, activity room, dining room, and soiled linen holding areas and require less stretcher storage, transfer equipment storage, Genito-Urinary space and bed storage space than intensive rehabilitation and sustaining care patients.

Question: What are the staffing patterns for each level of care?

Answer: The staffing patterns for each level of care are:
Intensive Rehabilitation Units: 3-4 staff to 1 patient ratio,
Sustaining Care Units: 1.0 staff to 1 patient ratio,
Long-Term Care Units: 1.9 staff to 1 patient ratio.

Question: How did you project future workloads for this unit?

Answer: By using 1990 MEDIPP projections and professional judgment.

Question: Do you have any idea of the projected workload after 1990?

Answer: No, however, professional judgment was used to the best of our ability.

Question: Your justification indicates you will be putting the 40 long-term care beds and the outpatient clinic in the space that currently houses 197 beds. How many gross square feet are planned for the clinic and for each long-term care bed?

Answer: The clinic has approximately 5,882 net square feet which will equate to approximately 11,764 gross square feet.

A long-term care bed patient room has 190 net square feet. The gross square footage is not determined in criteria but will equate to approximately 380-400 gross square feet.

Question: Is this consistent with your space criteria?

Answer: Yes, the criteria has only net square foot figures.

Question: Your justification indicates the project will involve new construction of about 100,000 gross square feet and alteration of about 50,000 gross square feet. I understand that in 1981 an Inspector General Audit Team reviewed this project and concluded that renovation of the existing space would result in only 27,360 net square feet of new construction. Did you receive any report from the IG on this project?

Answer: The IG Report suggested that all SCI beds be placed in existing space. However, after a 1982 revalidation study, it was determined that this project required new space and renovated space to improve conditions for patients and to meet Paralyzed Veterans of America (PVA) requirements.

Question: If so, how are the IG's recommendations reflected in this justification?

Answer: The IG recommendations are not applicable.

Question: How many square feet will this project provide?

Answer: The project will provide 79,381 net square feet

Question: Do you consider the relationship between gross and net square feet on this project normal?

Answer: Yes, a usual gross to net ratio is 2 gross square feet to 1 net square foot.

SALT LAKE CITY - COMMENTS

Comment: Salt Lake City is not unique. The VA has been reluctant in the past to come to Congress to request additional funds when anticipating larger costs than expected. The deletion of parts of the projects as was done in Salt Lake City is not an acceptable approach for the VA when those parts of the project are, in fact, necessary. The Subcommittee expects the VA to utilize the reprogramming approach in the future. The Subcommittee wishes to state further that it feels the VA personnel in headquarters who did not insist on a reprogramming during the Salt Lake City VA Medical Center construction fiasco contributed to a major portion of the problem.

Response: The Veterans Administration recognizes that part of the problems experienced at Salt Lake City arose from the lack of sufficient budget funding to accomplish the full original scope of the Clinical job. Rather than reducing the scope of the project to conform to available funding, the VA recognizes it would have been far more appropriate to seek a reprogramming from Congress. The current Administrator of Veterans Affairs has provided specific written policy guidance, strongly reinforced in meetings with VA's top management, that if additional funds are needed to complete projects, the most appropriate course of action is to request from Congress the additional funds needed to ensure delivery of a complete project. This policy guidance should preclude any future occurrences of insufficient project funds to accomplish a project's scope.

Senator Garn--Continued

SALT LAKE CITY CONSTRUCTION

Question: I would like to ask the Director of the Office of Construction, Mr. Salmond, to comment on some of the major deficiencies existing at the Salt Lake City VA Medical Center after the clinical addition construction project.

Although the facility was turned over to the VA on July 28, 1982, and we have invested over $21 million in this project, there are still a large number of construction deficiencies at the new facility. There are several major deficiencies which include the de-ionizing system, the water pressure problem, the fire alarm system, the fire sprinklers and the main electrical feeder.

Which of these were problems in the design of the facility, which were deficiencies attributable to the construction contractors and which should have been identified prior to the VA accepting the facility?

Answer: None of the problems identified were design deficiencies, except for the sprinkler system which was a performance standard item. Design was based on criteria and information available at the Medical Center during 1976-1977. The fire alarm and the de-ionizer systems were the fault of the construction contractor and are being corrected at this time. The problems in the fire alarm and the de-ionizer systems should have been identified prior to accepting the facility. Corrections for all systems are being expedited.

Question: I would not think that these types of deficiencies would only be limited to Salt Lake City.

How many of the projects previously in design, currently being designed and currently under construction have been reviewed for similar deficiencies?

Answer: We are currently reviewing all projects for similar defects. For instance, we have issued new instructions both in-house and to A/E's on sprinkler protection. Fire alarm specifications are under review for installation supervision improvements.

IMPROVEMENTS IN THE CONSTRUCTION PROCESS

Question: The panel participants have provided several constructive suggestions.

The VA Medical Center directors would like to have more input into the design process prior to construction and they would also like to expedite the whole process so that the overall time from request to the occupancy is reduced.

While these objectives might initially seem to work against one another, does the Office of Construction have any thoughts as to the advantages and disadvantages of giving the Medical Centers more of an input into, and responsibility for, the design and construction process?

Senator Garn—Continued

Answer: The Veterans Administration's Office of Construction strongly supports the participation of VA Medical Centers in the design and construction of Major construction projects and in recent years has worked to improve this participation in a number of ways. We also strongly support procedural improvements which will enhance the communication between the VA Medical Centers and VA Central Office (Office of Construction and the Department of Medicine and Surgery) to ensure that the requirements of those who work in the VA facilities we build are met in a timely, fully functional and cost effective manner. For this reason, we are pleased that the 270-day study recently initiated by the Administator of the VA's organization and procedures for constructing health care facilities will focus on field participation and communications within and between the field and Central Office.

In terms of current efforts to encourage VAMC input into, and responsibility for, the Major projects at their facilities, the following procedures are already in effect:

- Medical Center personnel are invited to Central Office for reviews of project.

- Numerous Central Office team visits are held at a facility throughout the design and construction of a project to gain Medical Center input and needed design refinements and revisions.

- Specific project design reviews by VA Medical Centers should be held at five specific points in the design process: (1) preparation of the data package used to prepare a project's scope/requirements, workload, staffing and beds; (2) development of the space program; (3) development of conceptual alternatives and solutions; (4) preliminary design; and (5) working drawing design.

- An on-going ad hoc committee, chaired by the Associate Deputy Administrator for Logistics, with representatives from the field, the Department of Medicine and Surgery and the Office of Construction has been established to specifically improve communications and increase VAMC participation in the construction process. Several productive meetings have been held thus far and a variety of specific procedural changes are under review for potential implementation in the near future.

- Office of Construction Resident Engineers onsite to supervise the construction of a Major project have been specifically directed to be responsive to changing station needs during construction.

- The VA will continue to delegate selected Major construction projects to VAMCs for accomplishment.

In terms of the advantages of enhancing Medical Center input into the design and construction process, we believe that such input helps to create an environment of responsibility at the Medical Center for the project, better ensures design responsiveness to local requirements, facilitates fully effective use of existing space at the facility, and results in construction more acceptable to field personnel. In terms of disadvantages, additional review layers could lengthen project development time but this can be mitigated by overlapping field and Central Office reviews. In addition, if top level personnel should change at a field facility during the course of a project's design or construction, the new personnel may wish to revise previous work already concurred in, leading to delays and increased costs. This, too, however, can be mitigated by establishing ground rules for making changes in a project once it is in working drawings and construction.

Question: Would you have some other suggestions for improvements in the construction process?

Answer: The VA has already implemented a number of initiatives to improve the construction process. These include:

- o A contract award on March 20, 1984, for a Comprehensive Study of the VA's Organization and Procedures for Constructing Health Care Facilities. Contract completion is scheduled for December 1984.

- o A Request for Proposals on March 27, 1984, to develop a Nursing Home Care Unit prototype on a Computer Aided Design system. The VA's nursing home prototype is expected to be available for use on FY 1986 projects.

- o Initial development of prototype layout design for domiciliaries, warehouses, laundries, and regional offices.

- o A contract award in September 1983 for a comprehensive study of the VA's design and construction technical specifications and requirements to seek cost reductions. Contract completion is scheduled for November 1984.

- o Implementation of a FY 1984 Design Fund to shorten project development time.

- o A request in the FY 1985 budget to establish an on-going Design Fund to avoid the average 15-month delay in a project now experienced between completion of preliminary design and initiation of working drawings.

- o A comprehensive first-time evaluation of the physical plant condition and needs of VA Medical Centers funded in FY 1984 and scheduled for completion in March 1985.

We hope that these initiatives, as well as others which have been implemented or which will result from the construction study, will continue to improve the VA's construction process and resulting program in the important areas of time, quality and cost.

ROLE OF VAMC DIRECTOR

Question: Don't you believe that the Director of the VAMC should have a responsibility to perform a detailed review of the adequacy of the construction plans and design drawings prior to the initiation of construction?

Answer: Yes we do, and we welcome such input believing it helps in the long run.

Question: At what points in the construction planning should these reviews take place?

Answer: The points in the construction planning process where reviews should take place are:

- Preparation of data package (used to prepare scope/ requirements, workload, staffing, and beds)
- Space plan review
- Development of conceptual solutions for meeting needs
- Preliminary plans
- Working drawing design

Question: Some of the VAMC Directors have described conditions where they have had to review the construction drawings in as short a period of time as one day.

What would you consider the minimum length of time for the VAMC to thoroughly review the plans for a hospital replacement or modernization project?

Answer: The standard review time for each review is two (2) weeks. Review is an ongoing process during the design phase in which input can be submitted at any time.

CONSTRUCTION PRIORITIES

Question: Last year, you provided a list of priorities entitled "DM&S Proposed FY 84 Major Construction Program" which priority ranked 35 projects and listed the amount for each and a cumulative total. Would you please provide a similar list for FY 1985?

Answer: The following is the list for FY 1985.

CONSTRUCTION PRIORITIES
DM&S PROPOSED FY 1985 MAJOR CONSTRUCTION PROGRAM

YR	PRI	MEDICAL CENTER	PROJECT ID	TITLE	PROG	CATEGORY	STAT	STG	PROJ CO $(000)
85	1	San Francisco, CA	662043	120 Bed Nursing Home Care Unit and Parking Garage	Major	NHC	Plan	Con	3,000
	2	Los Angeles (OPC), CA	752002	Replace Outpatient Clinic	Major	OP IMP	Plan	Con	41,100
	3	Houston, TX	580040	Replacement and Modernization	Major	Repl/Mod	Plan	Des	28,600
	4	Allen Park, MI	553080	Replacement/Modernization	Major	Repl/Mod	Plan	Pri	8,000
	5	Mountain Home, TN	621064	Bed Towers/Renovation	Major	Repl/Mod	Plan	Des	11,300
	6	Augusta, GA	509069	Replacement Medical Towers	Major	Repl/Mod	Plan	Des	12,400
	7	New York, NY	630028	Outpatient/Clinical Addition and Alterations	Major	Repl/Mod	Plan	Des	17,700
	8	Grand Island, NE	574009	Fire and Safety Imps.,A/C Patient Privacy and Support Systems	Major	F&S	Plan	Con	5,900
	9	Boston, MA	523036	Fire and Safety Improvements Sprinklers	Major	F&S	Plan	Con	4,300
	10	Coatesville, PA	542063	Fire and Safety Improvements	Major	F&S	Plan	Con	11,700
	11	Pittsburgh (HD), PA	645022	F&S Smoke Detect Modify HVAC/ Electrical System	Major	F&S	Plan	Con	32,200

CONSTRUCTION PRIORITIES
DM&S PROPOSED FY 1985 MAJOR CONSTRUCTION PROGRAM

YR	PRI	MEDICAL CENTER	PROJECT ID	TITLE	PROG	CATEGORY	STAT	STG	PROJ CO $(000)
85	12	Lyons, NJ	604065	Fire and Safety Improvements (Exits, Sprinklers)	Major	F&S	Plan	Con	13,300
	13	Hampton, VA	590065	Fire and Safety Improvements	Major	F&S	Plan	Con	5,700
	14	Providence, RI	650025	60 Bed Nursing Home Care Unit	Major	NHC	Plan	Con	5,200
	15	San Juan, PR	455015	120 Bed NHCU and 10 Bed Blind Rehabilitation Center	Major	NHC	Plan	Con	9,000
	16	Alexandria, LA	502064	120 Bed Nursing Home Care Unit	Major	NHC	Plan	Con	5,400
	17	Durham, NC	558023	120 Bed NHCU, Research, Admin. and GRECC	Major	NHC	Plan	Con	8,800
	18	Prescott, AZ	649047	120 Bed Nursing Home Care Unit	Major	NHC	Plan	Con	8,300
	19	Murfreesboro, TN	622049	120 Bed Nursing Home Care Unit	Major	NHC	Plan	Con	5,600
	20	West Los Angeles, CA	691047	120 Bed Nursing Home Care Unit, Building 212	Major	NHC	Plan	Con	5,500
	21	Marion, IL	609021	Correct Seismic Deficiencies	Major	Seismic	Plan	Con	5,700
	22	Hines, IL	578111	40 Bed Long Term Spinal Cord	Major	Clin Imp	Plan	Con	5,800

CONSTRUCTION PRIORITIES
DM&S PROPOSED FY 1985 MAJOR CONSTRUCTION PROGRAM

YR	PRI	MEDICAL CENTER	PROJECT ID	TITLE	PROG	CATEGORY	STAT	STG	PROJ CO $(000)
85	23	Amarillo, TX	504026	Addition and Renovation of	Major	Clin Imp	Plan	Con	22,000
	24	Shreveport, LA	667027	Ambulatory Care Building/Linear Accelerator	Major	OP Imp	Plan	Con	6,200
	25	Iowa City, IA	584029	Ambulatory Care and Clinical	Major	OP Imp	Plan	Con	20,800
	26	Tampa, FL	673037	Radiation Therapy Unit	Major	Clin Imp	Plan	Con	4,200
	27	Buffalo, NY	528039	Research Building/Clinical	Major	Research	Plan	Con	16,300
	28	Clarksburg, WV	540008	Clinical Addition and Alterations	Major	Clin Imp	Plan	Con	21,600
	29	Grand Junction, CO	575025	Outpatient and Clinical Addition	Major	OP Imp	Plan	Con	12,100
	30	Palo Alto, CA	640040	Spinal Cord Injury Addition	Major	Clin Imp	Plan	Con	15,200
	31	Alexandria, LA	502058	Clinical Improvements	Major	Clin Imp	Plan	Con	26,900
	32	Long Beach, CA	600057	160 Bed SCI Unit/SCI Outpatient	Major	Clin Imp	Plan	Con	23,000
	33	Durham, NC	558026	Clinical Addition	Major	Clin Imp	Plan	Con	29,400
	34	Topeka, KS	677022	Correct Electrical Deficiencies, Primary and Secondary	Major	Elec	Plan	Con	8,200

CONSTRUCTION PRIORITIES
DM&S PROPOSED FY 1985 MAJOR CONSTRUCTION PROGRAM

YR	PRI	MEDICAL CENTER	PROJECT ID	TITLE	PROG	CATEGORY	STAT	STG	PROJ CO $(000)
85	35	Sheridan, WY	666046	Outpatient Clinic Addition	Major	OP Imp	Plan	Con	10,400
	36	Dallas, TX	549029	Upgrade Primary Electrical	Major	Elec	Plan	Con	3,200
	37	Omaha, NE	636027	Correct Electrical Fire/Safety	Major	Elec	Plan	Con	5,500
	38	Cheyenne, WY	442023	Expand and Renovate Building 1	Major	Clin Imp	Plan	Con	14,600
	39	Lexington, KY	596004	Clinical Addition	Major	Clin Imp	Plan	Con	32,000
	40	Shreveport, LA	667019	Upgrade Primary Distribtution System and Elevator Addition	Major	Elec	Plan	Con	4,300
	41	Fresno, CA	570019	Clinical Addition (Dental, Surgery, RMS)	Major	Clin Imp	Plan	Con	6,300
	42	Chillicothe, OH	538076	Renovate Building 1 (Modernization Phase III)	Major	Environ	Plan	Con	4,300
	43	West Roxbury, MA	690035	Outpatient Addition, Research and	Major	OP Imp	Plan	Con	42,800
	44	Brockton, MA	525021	Renovate Building 8 and Patient Privacy, Fire and Safety Seismic	Major	Clin Imp	Plan	Con	4,400
	45	Albany, NY	500033	Modify Wards	Major	Environ	Plan	Con	3,000

CONSTRUCTION PRIORITIES
DM&S PROPOSED FY 1985 MAJOR CONSTRUCTION PROGRAM

YR	PRI	MEDICAL CENTER	PROJECT ID	TITLE	PROG	CATEGORY	STAT	STG	PROJ CO $(000)
85	46	Louisville, KY	603024	Clinical and Education Addition	Major	Clin Imp	Plan	Con	41,100
	47	Lyons, NJ	604061	Renovate Building 4 (Intermediate)	Major	Environ	Plan	Con	28,600
	48	Big Spring, TX	519014	Electrical Distribution System	Major	Elec	Plan	Con	8,000
	49	Boise, ID	531045	Georthermal Conversion	Major	Boiler	Plan	Con	11,300
	50	American Lake, WA	505073	Laundry Replacement	Major	General	Plan	Con	12,400
	51	Saint Louis, MO	657090	Laundry Replacement	Major	General	Plan	Con	17,700
	52	West Los Angeles, CA	691090	Renovate Building for Domiciliary	Major	DOM	Plan	Con	5,900
	53	Long Beach, CA	600051	Construct Supply Warehouse	Major	General	Plan	Con	4,300
	54	Danville, IL	550055	Renovate Building 14 for Administration	Major	General	Plan	Con	11,700
				Total					$663,000

PRIORITY RANKING OF CONSTRUCTION PROJECTS

Question: For several years, I have been suggesting that the VA develop a prioritization system to take the politics out of the VA major construction projects. Last year, I was pleased to hear you say that MEDIPP will enable you to validate what your real needs are, notwithstanding the forces of politics. The latest VA five year medical facility construction plan dated June 1983 contains a list of the ten medical centers judged most in need of construction. Did you use MEDIPP as the primary source for identifying the facilities that would appear on this list?

Answer: MEDIPP provides the programmatic base and the force which drives construction but it is not used to prioritize construction needs. With each MEDIPP cycle, new projects are identified to implement MEDIPP requirements such as additional beds or programs. These projects are then placed in the construction planning process for development through the Advance Planning Fund. When they are ready, they are considered for construction funding along with other projects.

Question: What was the rationale for you proposing, then deleting, funding for the Baltimore VAMC?

Answer: This project was included in the initial budget prepared by the Agency but was not approved for inclusion in the final budget during the budget review process.

Question: What specific medical facility evaluation and/or demographic information was needed to identify the Baltimore area as a target for new construction?

Answer: RTKL Associates Inc. of Baltimore, Maryland prepared a Baltimore, Maryland Area Master Plan. This plan identified the need for new construction in the Baltimore area and became the basis for requesting a replacement medical center to be located in downtown Baltimore. The requirement for new facilities is generated on the basis of the replacement of obsolete facilities, the special medical programs required and the reallocation of missions within existing facilities. Further, the development of a replacement facility should be accompanied by significant improvements in services and appropriate new programs to serve a changing veteran population. The veteran population 1990 and 1995 projections for the Baltimore primary service area will decrease from the 1983 figure of 301,230 by 25,350 and 43,390 respectively although the number of veterans over age 65 will increase in this same time period from 37,300 in 1983 to 68,840 in 1990 and 81,790 in 1995.

Question: Was the list of hospitals submitted to OMB for replacement/modernization construction in FY 85 also validated by MEDIPP?

Answer: All of the programmatic information used in the planning of these hospitals was validated by MEDIPP.

Question: What specific medical or demographic data was cited by OMB for its deletion of the Baltimore Replacement Hospital?

Answer: No specific medical or demographic data was cited by OMB in the deletion of the Baltimore replacement hospital.

Question: Did you believe that the authority to select or prioritize major construction projects should reside with the VA Administrator?

Answer: As the head of the Agency, the Administrator of Veterans Affairs has been given the responsibility to oversee the provision of services to the Nation's veterans. Within budgetary constraints set up in the federal budgetary process, the VA Administrator maintains the authority to formulate policy and decide how the budget package should be apportioned. This includes the authority to select or prioritize major construction projects.

Question: Do you believe that being overridden by OMB casts some serious doubt on the whole MEDIPP process and the process of prioritizing?

Answer: The MEDIPP process provides a basis for projecting future medical care needs and justification for formulating strategies to provide for these identified needs. The MEDIPP process is also utilized, in a supporting role, to justify the prioritization of planned construction projects. However, the budgetary process operates under a defined set of constraints with regard to the availability of funding for the construction program. The reality of deficit spending and the need to control the overall size of the budget caused the Administration to delay a portion of the VA's construction budget request. Needs, as identified in MEDIPP, still exist, but strategies to provide for these needs must be balanced in the budget process.

Question: Did you appeal OMB's decision on Baltimore?

Answer: Yes, the Agency did appeal OMB's decision on Baltimore. However, due to budgetary constraints, the Baltimore project did not appear in the FY 1985 budget request.

Question: Why did Philadelphia, which wasn't one of the ten hospitals on the five year priority list, get submitted to OMB?

Answer: The Philadelphia project to provide a Clinical Addition/Renovation, Nursing Home Care Unit, and Parking was developed through the Advance Planning Fund process. As a result of this planning process, the deficiencies requiring correction place it in the replacement/modernization category. Philadelphia was included in the Five Year Medical Facility Construction Needs Assessment submitted to Congress in June 1983 and is shown under the Replacement/Modernization category for design in FY 1985 and construction in FY 1986.

Question: Why did Pittsburgh, which was on the list, not get submitted to OMB?

Answer: The Advance Planning Process had not been completed for Pittsburgh, including the final selection of the conceptual plan to be used in the development of preliminary plans (design). Pittsburgh was shown on the List of Ten, submitted to Congress in June 1983, as part of the Five Year Medical Facility Construction Needs Assessment Plan with estimated funding years of Design - FY 1986 and Construction - FY 1987.

Question: What are the specific objective criteria that were used to prioritize projects and determine which should be on the "List of Ten" in your five year construction plan?

Answer: The following are the objective criteria used to determine those projects which are added to the List of Ten:

A. CATEGORY DESCRIPTION

As VA facilities get older, they develop critical space and functional deficiencies in terms of the delivery of modern health care that require a multiple corrective approach involving either total replacement or major modernization. Such projects involve numerous categories of correction and result from the determination that a comprehensive approach is more efficient and cost-effective than a recurring multiple project approach. Replacement/Modernization projects result from compounded deficiencies in the areas of patient safety/ environment, patient care/support and physical plant obsolescence.

B. PRIORITIZATION CRITERIA

1. "Primary Factors"

- Patient Safety

    a. Correction of fire and safety deficiencies as recommended by Fire Safety Evaluation System (FSES).
    b. Seismic corrections.

- Projected Need Based on Demographics

    a. Workloads (current and projected to 1990 for both acute and extended care).
    b. Outpatient visits (current and projected to 1990).
    c. Deficiencies calculated by VA/GAO Bed Sizing Model and/or Outpatient Project Model.

- Existing Space and Functional Deficiencies in Patient and Clinical Areas (using Space and Functional Deficiency Identification (SFDI) comparisons between existing space and approved Agency space planning criteria (H-08-9)

  a. Nursing units (including compliance with VA patient privacy standards and American National Standard Institute (ANSI) Handicap Barrier Standards).
  b. Clinical Support services.

Answer:

- Medical Delivery Role of VAMC

  a. Type of VAMC (primary, secondary, tertiary). A higher priority is usually indicated for the tertiary care facility because of the more complex and sophisticated services provided by such a facility. The overall impact on patient care is usually more significant than in a primary or secondary care facility.
  b. Affiliation(s). The strength of the affiliation(s) to the medical school usually calls for a more symbiotic relationship between the VAMC and the medical school, thus making construction funding at a highly affiliated VAMC more critical than at a non-affiliated or less intensely affiliated VAMC.

"Secondary Factors"

- Technical Deficiencies

  a. Age and structural condition of building(s) shell.
  b. Condition of site utilities, electrical and mechanical systems.
  c. Energy conservation.

Non-Clinical Support Service Deficiencies

  a. Warehouse
  b. Laundry
  c. Boiler Plant

C. PRIORITIZATION METHODOLOGY

The prioritization methodology used to rank the Replacement /Modernization projects on the FY 1985 project list was limited to a comparative needs assessment on their own merits and prioritized relative to one another. Prioritization of the Replacement/Modernization projects was based on a relative assessment of each project in terms of such major planning components as the relative impact of the medical center within the VA health care system, patient safety and code compliance, projected bed and outpatient service needs, patient environment and clinical service requirements, physical plant and support deficiencies and finally, the professional evaluations of program officials and Regional and District Directors.

Answer:

In determining the priority of the seven projects, each project was assessed against the evaluative criteria listed above which is grouped into "Primary Factors" and Secondary Factors".

"Primary Factors" include those considerations determined to be the most important in terms of the delivery of quality medical (patient) care within the VA health care system. There "Primary Factors" encompass patient safety (e.g., fire/safety deficiencies); demonstrated need based on demographic analyses; space and functional deficiencies in patient and clinical areas; compliance with patient privacy and handicap access standards; and the medical delivery role of the medical center in the VA system (type of VAMC and degree of affiliation). Thus, a project which, in a relative sense, exhibits a more serious degree of fire and safety deficiencies than another gets a higher rating in that category; the project with greater space and functional deficiencies is given a higher rating, and so forth. Likewise, in considering demographics, the VAMC that is projecting the greater increase in patient days or outpatient visits, but is saddled with the least adequate facilities to support this increase, becomes the higher priority project.

Finally, greater emphasis is placed on the more active, highly affiliated and specialized Medical Centers because of the more sophisticated level of medical, surgical and psychiatric care provided.

"Secondary Factors", while also important to the operational functioning of a modern health care facility, include deficiencies which impact indirectly on patient care. "Secondary Factors" encompass the age and condition of the building(s) shell and site utilities, mechanical and utility systems energy conservations; and the condition of non-patient support functions such as laundry and warehouse. Within these factors, greater emphasis is given to corrections of the most serious identified deficiencies.

The evaluation of a Replacement/Modernization project against the primary and secondary factors results in its relative priority. More emphasis is given to the "Primary Factors" as these impact directly on patient care. These evaluations also encompass input from program official(s) and the Regional and District Directors.

PRIORITY RANKING OF CONSTRUCTION PROJECTS

Question: What are the specific criteria that were used to determine which projects would be included in your OMB submission?

Answer: The methodology criteria used can be summarized as follows: The current prioritization process places individual projects in designated categories so that similarities between the scopes of "like category" projects can be compared. The designated categories include Replacement/Modernization, Nursing Home Care, Clinical and Outpatient, Fire and Safety, Environment Technical, Warehouse, Laundry, "Other" General, and Research and Education.

Within each category listed above, a balance of objective and subjective evaluations are applied to each project and a rationale for priority setting is established. This rationale is established by using the most current data available in regard to the scope of each project and how the project relates to the overall operation of the VAMC. An example of this priority setting process can be demonstrated by examining the criteria used for the Clinical and Outpatient Category of the FY 1985 construction program. In considering the relative importance of each of these projects, factors evaluated included the type of VAMC, size, age and condition of the patient care buildings, affiliation (if any), demographics (including current and projected workloads), staffing patterns, types of services provided and Space and Functional Deficiencies (SFDI) comparisons. Input from the Regional and District Directors and Program Official were also important considerations. Applying these criteria to each project and evaluating the strength of each factor resulted in a relative ranking of each project.

The final step is to prepare an integrated, prioritized list of projects that represent a balance among all categories. Care must be taken to assure that all categories receive a balanced level of resources to keep the program viable. The prioritization process attempts to recognize the importance of the ancillary programs and a concerted effort has been made to assure that these programs are not disregarded because of the pressures which build up to support the direct patient care construction needs. The impact of the MEDIPP process and the perspectives of the program officials, the District and Regional Directors, the CMD and the Administrator are integral components of this step. Historically, particular emphasis has been placed on the Replacement/Modernization, Nursing Home Care and Fire/Safety categories and these projects are usually rated at the top of the list of projects for a particular fiscal year. This emphasis is sure to continue in the coming fiscal years.

Question: Could you please include, for the record, the specific quantitative data associated with each of these construction projects and how they relate to the VA's national medical care needs?

Answer: The data requested are currently being put together under a format that we hope will be the most useful for the Committee's needs. This data will be provided as soon as possible.

SELECTION OF PRIORITY CONSTRUCTION PROJECTS

Question: From the competing projects, you have identified five replacement and modernization projects for FY 85. You propose to spend $78 million on the design of these projects. Ultimately when design and construction will be completed, you estimate you will have to spend $784 million on the planning and construction of these new facilities. Would you briefly describe how you selected these five projects from the many competing projects for initiation in FY 85?

Answer: Prioritization of the Replacement/Modernization projects is based on the relative assessment of each project based on patient safety and code compliance, projected bed and outpatient service need, patient environment and clinical service requirements, physical plant and support deficiencies and finally, the professional evaluation of program officials and regional and district directors. The five projects selected are based on a prioritized balance:

Primary factors:

° Patient Safety
° Projected need based on demographics
° Existing space and functional deficiencies in patient and clinical areas
° Medical delivery role of the VA medical center
° Affiliation with medical schools

Secondary factors:

° Technical deficiencies (age and structural condition of building, condition of activities, electrical and mechnical system and energy conservation)

° Non-clinical support services deficiencies (warehouse, laundry, boiler plant)

Question: How did you decide between funding the design of five projects this year and fully funding one or two projects such as Mountain Home or New York?

Answer: We have requested split funding for projects of large dollar magnitude and considerable complexity, such as projects in the replacement/modernization category, because of the long period required for design. If we requested full funding, the longer time required for design would contribute to a large unobligated balance.

Question: How many nursing home care units did you consider funding prior to selecting seven for new construction and one for conversion?

Answer: All nursing home care projects which had completed preliminary plans were considered and selected for funding consideration.

Question: Would you briefly describe the decision making process?

Answer: Priority setting within the nursing home care (NHCU) construction program is based on an established VA goal to have 13,100 NHC beds in operation by FY 1987. This goal has now been supplemented by projection data provided in the first two MEDIPP submissions. These projections show a need for approximately 19,600 NHC beds by 1990. The construction strategy was set up on the following basis:

- Based on the study of the Aging Veteran (House Committee Print No. 77, 95th Congress) prepared pursuant to Public Law 94-581.
- MEDIPP Projected NHC bed need of 19,600 NHC beds by 1990.
- 13,100 beds distributed among medical districts according to:
- Age specific veteran population data
- Availability of alternate resources
- Site availability
- Existing VA NHC units
- Construction schedule based upon the percentage of need that exists in each medical district relevant to the projected 1987 bed level need for the District.

DELEGATION

Question: You have delegated the authority to manage three nursing homes and one clinical addition to the VAMC's in the field. Would you please bring us up-to-date on the progress of this program?

Answer: A written status report on each of the three Fiscal Year 1982 delegated nursing home care unit projects was provided to VA Central Office in January 1984 by the three VA Medical Centers (VAMCs). These status reports are provided for the record.

In summary, these status reports highlight that each of the projects--the 120-Bed Nursing Home Care Unit project at VAMC Ann Arbor, Michigan, the 60-Bed Nursing Home Care Unit project at VAMC Fresno, California, and the 120-Bed Nursing Home Care Unit project at VAMC Tampa, Florida--is well into construction, basically on schedule, and has been a positive experience for the affected Medical Centers. Specifically, the construction contract for the Ann Arbor project was awarded in November 1982 and construction is approximately 80% complete. The construction contract for the Fresno project was awarded on September 15, 1983, and construction is approximately 15% complete. The construction contract for the Tampa project was awarded December 6, 1982, and construction is approximately 65% complete.

With regard to the Clinical Improvements and Relocation of Surgical Service project at VAMC Cleveland (Wade Park), Ohio, this Fiscal Year 1983 (Supplemental) project was delegated to that Medical Center by the Chief Medical Director on January 5, 1984, for working drawing design and construction.

Question: What is your opinion of the merits of delegation?

Answer: The Veterans Administration believes that selected delegation of Major construction projects is a positive concept. Each VA Medical Center which has had a delegated Major project also has expressed support and is pleased with its participation on these projects. These Medical Centers have recommended, however, that a greater level of review by Central Office technical experts would be helpful, rather than totally delegating all project aspects to the field. As the VA continues to delegate Major projects to the field, whatever Central Office assistance or guidance is needed by the affected Medical Centers will certainly be provided.

Question: Do you plan to expand the program in FY 1984 or FY 1985? If so, how many additional projects do you contemplate?

Answer: Based on our positive experience with delegating Major projects thus far, the VA will continue to delegate Major projects on a selected basis in the future. The size and complexity of projects and the ability of VAMC staff to manage such projects will be the determining factors in the Chief Medical Director's future recommendations for delegated Major projects.

No Fiscal Year 1984 projects were scheduled for delegation because we were awaiting the benefit of the experience from the three FY 1982 delegated nursing homes. These pilot tests have proven positive and we now will move forward with additional delegations.

At least two FY 1985 projects will be scheduled for delegation, including "Renovate Building 14 for Administration" at VAMC Danville, Illinois, and "Renovate Building Nos. 214 and 217 for Domiciliary" at VAMC West Los Angeles, California. However, as conceptual development or design work has necessarily already been accomplished for the FY 85/86 program, the primary focus of the VA's delegation process will begin with FY 1987 projects. In the case of all prior year delegations, the Medical Centers have been or will be given projects for which conceptual development has already been completed and preliminary design initiated or completed. This is not the case for FY 1987 projects, and as a result, these projects offer far more opportunity for Medical Center management in the important early stages of initial project planning.

CONSTRUCTION PRIORITIES

Question: Would you please provide a list of all of the projects in your latest five year construction plan in order of priority? Such a ranking could be for each category of construction, but you should rank all the projects within a category regardless of the year in which they are now expected to begin construction.

Senator Garn—Continued

Answer: Attached are rankings of all projects in the latest Five Year Medical Facility Construction Needs Assessment, by category. Although rankings are assigned by year, overall rankings for each category should be considered in consecutive order FY 1984 through FY 1989.

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: BOILER PLANT REPLACEMENT

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
85	BOISE, ID	CORRECT BOILER PLANT DEFIC/GEOTHERMAL CONV	8,000	1
85	1		8,000	
86	DURHAM, NC	BOILER REPLACEMENT	3,000	1
86	1		3,000	
87	SAN ANTONIO, TX	BOILER & CHILLER PLANT	18,300	1
	CINCINNATI, OH	BOILER PLANT REPLACEMENT	3,300	2
87	2		21,600	
	4		32,600	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: CLINICAL IMPROVEMENTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	MURFREESBORO, TN	CLINICAL ADDITION & ALTERATIONS	15,300	1
	CHARLESTON, SC	CLINICAL ADDITION	12,900	2
	SIOUX FALLS, SD	ADDN/RENOV(CLINICAL,ADMINISTRATION,EDUCATION)	12,800	3
	CLEVELAND, OH	CLINICAL IMPROVEMENTS(SURGICAL SERVICE RELOCATION)	9,400	4
	FAYETTEVILLE, NC	CLINICAL ADDITION	22,000	5
	LAKE CITY, FL	OUTPATIENT & CLINICAL ADDITION	5,200	6
84	5		64,800	
85	HINES, IL	40 BED LONG TERM SPINAL CORD INJURY UNIT	6,100	1
	AMARILLO, TX	ADDITION/RENOVATION CLINICAL SUPPORT	38,400	2
	CLARKSBURG, WV	CLINICAL ADDITION & ALTERATIONS	23,600	3
	ALEXANDRIA, LA	CLINICAL IMPROVEMENTS	25,000	4
	PALO ALTO, CA	SPINAL CORD INJURY ADDITION	18,400	5
	DURHAM, NC	CLINICAL ADDN(AMBL CARE,LAB,PHARM),SPRINKLERS	27,000	6
	LONG BEACH, CA	NEW SPINAL CORD INJURY BUILDING(160 BEDS)	27,500	7
	CHEYENNE, WY	EXPAND/RENOVATE B-1(CLINICAL FUNCTIONS)	21,200	8
	LEXINGTON, KY	CLINICAL ADDITION	38,000	9
	LOUISVILLE, KY	CLINICAL & EDUCATION ADDITION	15,000	10
	FRESNO, CA	CLINICAL ADDITION(DENTAL,SURGERY,RMS)	7,000	11
	WILMINGTON, DE	CLINICAL ADDITION	31,000	12
	BROCKTON, MA	RENOVATE B#8 & PAT PRIV, F&S, SEISMIC	4,300	13

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: CLINICAL IMPROVEMENTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
85	13		282,500	
86	ANN ARBOR, MI	ADDN/RENOV FOR CLIN,ADMIN,OP AND RESEARCH	46,400	1
	PERRY POINT, MD	CLINICAL ADDN BLDG 23H	6,600	2
	DALLAS, TX	CLINICAL ADDN/RENOVATE BLDG-2	34,500	3
	TAMPA, FL	CLINICAL ADDITION/SCI ADDITION	43,000	4
	SALEM, VA	OUTPATIENT,SPD,SURG,&80 MS&N BEDS	17,700	5
	PHOENIX, AZ	CLINICAL/ADMINISTRATION BLDG(REPLACES 5&6)	16,500	6
	SALT LAKE CITY, UT	40 BED SPINAL CORD INJURY CENTER	7,100	7
	HUNTINGTON, WV	CLINICAL IMPROVEMENT ADDITION (PH 2)	15,000	8
	RENO, NV	CLINICAL/ADMIN/EDUCATION,HVAC,PATIENT PRIVACY	26,000	9
	ATLANTA, GA	CLINICAL ADDITION	20,000	10
	MARTINEZ, CA	F&S,OUTPATIENT ADDN,RES/EDUC,PAT PRIV,NHCU	36,500	11
	BROOKLYN, NY	SPD,OUTPAT,LAB,ADMIN	40,000	12
	TOGUS, ME	CLINICAL IMPROVEMENTS, BUILDING 200	10,000	13
	LONG BEACH, CA	CLIN ADDN-SURGICAL EXPAN/RENOVATION	10,000	14
	OKLAHOMA CITY, OK	CORRECT OPERATING SUITE DEFICIENCIES	8,000	15
	WILKES BARRE, PA	CLIN IMPROV AND LAB RELOCATION	16,500	16
	ASHEVILLE, NC	EXPAND OR & SICU SPACE	5,000	17
	BECKLEY, WV	CLINICAL ADDITION & ALTERATIONS	25,000	18
	BIG SPRING, TX	RENOVATE SURGERY	4,000	19
86	19		387,800	
87	AMERICAN LAKE, WA	CLIN ADDN,CORRECT DEFIC B-81,SEIS,PAT PRIV,F&S	35,000	1

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: CLINICAL IMPROVEMENTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
87	PROVIDENCE, RI	CLINICAL/ADMINISTRATIVE ADDITION	52,000	2
	BOISE, ID	CORRECT CLINICAL & WARDS 5 & 6 DEFICIENCIES	22,000	3
	WEST HAVEN, CT	CLINICAL - RESEARCH & EDUCATION ADDITION	16,300	4
	TOPEKA, KS	CLINICAL ADDN	6,000	5
	COLUMBIA, MO	CLINICAL,ADMINISTRATION,OUTPATIENT & RESEARCH ADDN	15,000	6
	SAN DIEGO, CA	RENOVATE SURGERY SUITE	4,800	7
	SAN ANTONIO, TX	OUTPATIENT/CLINICAL IMPROVEMENTS	23,000	8
	DUBLIN, GA	RENOVATE B-34 FOR PSYCH	5,000	9
	PHOENIX, AZ	NEW SURGICAL SUITE/CRITICAL CARE AREA	3,500	10
	TUCSON, AZ	CONVERT BSMT B-57 TO USABLE SPACE	4,000	11
	HINES, IL	REARRANGE NUCLEAR MED SVC G-2 B#1	3,000	12
	DES MOINES, IA	CLINICAL & EDUCATION ADDITION	11,200	13
87	13		200,800	
88	DALLAS, TX	SPINAL CORD INJURY CENTER	10,000	1
	CHARLESTON, SC	ADD 3RD FLOOR TO CLINICAL ADDITION	5,000	2
	FORT HARRISON, MT	CLINICAL ADDITION,HVAC & SUPP SVC	11,600	3
	MUSKOGEE, OK	CLINICAL EXPANSION	10,000	4
	KANSAS CITY, MO	CLINICAL EXPANSION & ELEVATORS	20,000	5
	HAMPTON, VA	THERAPEUTIC BLDG/OUTPATIENT ADDITION	15,000	6
	ANN ARBOR, MI	EXTENDED CARE IMPROVEMENT	9,000	7
	LEAVENWORTH, KS	CLINICAL ADDITION/CONVERT SURGERY	12,500	8
	WALLA WALLA, WA	CLIN/BED ADDN-BACKFILL B-86(ADMIN)	31,800	9
	BUFFALO, NY	RENOVATE CLINICAL LAB,B#1	3,200	10

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: CLINICAL IMPROVEMENTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
88	GRAND JUNCTION, CO	MEDICAL BED ADDN	12,000	11
	SEPULVEDA, CA	CLINICAL IMPROVEMENT BLDG	16,000	12
	SPOKANE, WA	CLINICAL/ADMIN/OUTPAT ADDN,ELECTRICAL IMPROV,HVAC	16,000	13
	FAYETTEVILLE, AR	EXTENDED CARE/PSYCHIATRIC ADDN	6,000	14
	PALO ALTO, CA	COMPREHENSIVE REHAB CENTER	5,000	15
	CINCINNATI, OH	CLINICAL IMPROVEMENTS	10,000	16
	INDIANAPOLIS, IN	NEW MENTAL HEALTH & BEHAVIORAL SCIENCES CTR(CS)	15,000	17
88	17		208,100	
	68		1,156,800	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: DOMICILIARY

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
85	WEST LOS ANGELES, CA	RENOVATE BLDGS 214 & 217 FOR DOM BEDS	12,000	1
85	1		12,000	
86	LEAVENWORTH, KS	RENOVATE/REPLACE DOMICILIARY	12,500	1
	PRESCOTT, AZ	RENOVATE/REPLACE DOMICILIARY	6,000	2
86	2		18,500	
87	TEMPLE, TX	RENOV/REPL DOMICILIARY(400 BEDS)	23,800	1
	WOOD, WI	RENOVATE B#43 FOR DOM	5,000	2
	HOT SPRINGS, SD	MODERNIZE/REPLACE DOMICILIARY	8,000	3
87	3		36,800	
88	MOUNTAIN HOME, TN	RENOVATE DOMICILIARY	7,500	1
	BEDFORD, MA	180 BED DOMICILIARY	18,000	2
	BUTLER, PA	200 BED DOMICILIARY	20,000	3
	ALEXANDRIA, LA	230 BED DOMICILIARY (NEW/RENOVATION)	23,000	4
	MURFREESBORO, TN	208 BED DOMICILIARY	20,000	5
	NORTH CHICAGO, IL	200 BED DOMICILIARY	20,000	6
88	6		108,500	
	12		175,800	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: EDUCATION

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
86	OMAHA, NE	EDUCATION ADDITION	4,000	1
86	1		4,000	
88	TUCSON, AZ	EDUCATION RESOURCE CENTER	3,000	1
88	1		3,000	
	2		7,000	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: ELECTRICAL

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	CINCINNATI, OH	UPGRADE ELECTRICAL DISTRIBUTION SYSTEM	3,500	1
	SAN DIEGO, CA	EMERGENCY GENERATOR & CONSERVATION OF ENERGY	4,200	2
84	2		7,700	
85	TOPEKA, KS	PRIMARY ELECTRICAL IMPROVEMENTS	10,500	1
	DALLAS, TX	UPGRADE PRIMARY DISTRIBUTION SYSTEM	3,000	2
	OMAHA, NE	CORRECT ELECTRICAL FIRE/SAFETY DEFIC	3,400	3
	SHREVEPORT, LA	UPGRADE PRIM DISTR SYS & ELEVATOR ADDN	5,800	4
	BIG SPRING, TX	ELECTRICAL DISTRIBUTION SYSTEM	3,300	5
85	5		26,000	
86	LONG BEACH, CA	UPGRADE SECONDARY ELECTRICAL DISTRIBUTION	8,000	1
	BUFFALO, NY	SECONDARY ELECTRICAL DISTRIBUTION	5,000	2
	POPLAR BLUFF, MO	CORRECT ELECTRICAL DISTRIBUTION SYS DEFICIENCIES	8,500	3
	HAMPTON, VA	ELECTRICAL SYSTEM MODERNIZATION	2,500	4
86	4		24,000	
87	WOOD, WI	CORRECT ELECTRICAL DEFICIENCIES	5,000	1
87	1		5,000	
	12		62,700	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: ELEVATORS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	DURHAM, NC	ADDITIONAL ELEVATORS	3,000	1
84	1		3,000	
	1		3,000	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: ENVIRONMENTAL

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	TOMAH, WI	MODERNIZE BLDGS 406 & 408	9,800	1
	BATTLE CREEK, MI	RENOVATE B-82(1ST & 2ND FLOORS-PATIENT PRIVACY)	3,800	2
	BATH, NY	RENOVATE B-78 (NURSING HOME CARE UNIT)	7,000	3
84	3		20,600	
85	BROCKTON, MA	RENOVATE BLDG 5	7,400	1
	CHILLICOTHE, OH	RENOVATE BLDG 1(PHASE 3)	5,300	2
	LYONS, NJ	RENOVATE BUILDING 4 (INTERMEDIATE)	4,600	3
	ALBANY, NY	MODIFY WARDS	4,300	4
85	4		21,600	
86	NORTHPORT, NY	RENOVATE BUILDINGS #7,8,11,64,& 65	12,000	1
	HINES, IL	180-BED PSYCHIATRY REPLACEMENT/RELOCATION	44,000	2
	NORTH CHICAGO, IL	ENVIRON IMPROV,PATIENT & NHCU BUILDINGS	48,000	3
	TOMAH, WI	MODERNIZE BLDGS 403 & 404	6,200	4
	LYONS, NJ	RENOVATE BUILDINGS 7 & 57	18,400	5
	ROSEBURG, OR	RENOVATE BLDGS 1&2	20,000	6
	SALEM, VA	RENOVATE BUILDING 76	6,000	7
	SAINT LOUIS, MO	REMODEL BLDG 53(JB)	4,000	8
86	8		158,600	
87	MURFREESBORO, TN	RENOVATE BUILDING 7 (PSYCH)	3,500	1
	BUFFALO, NY	RENOVATE PSYCH BED SPACE	4,200	2
	MUSKOGEE, OK	NURSING UNITS RENOV./EXPAND	15,000	3

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: ENVIRONMENTAL

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
87	BEDFORD, MA	RENOVATE WDS, B#4(NHCU),6,7,61,62	25,000	4
	SALEM, VA	RENOVATE PSYCH BUILDINGS 9,10,&11	9,900	5
	SALISBURY, NC	RENOVATE BLDG 21 (PSYCH GERIATRIC CARE)	14,000	6
87	6		71,600	
88	SIOUX FALLS, SD	PATIENT PRIV/RETAIN BEDS	30,000	1
	MONTGOMERY, AL	ADDITION WARD WINGS,SURGERY,& SPD	14,000	2
	TOMAH, WI	MODERNIZE BLDGS 402 & 407	12,200	3
	CHILLICOTHE, OH	RENOVATE BLDG. 212(NHCU)PH 4	4,500	4
88	4		60,700	
	25		333,100	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: FIRE & SAFETY IMPROV

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	SYRACUSE, NY	FIRE&SAFETY,PAT PRIVACY & SUPP SYSTEM & HVAC	32,800	1
	LEAVENWORTH, KS	F&S IMPROVEMENTS (EXITS & SPRINKLERS)	9,600	2
	LIVERMORE, CA	F&S IMPROVEMENTS,1 SVC ELEV,EXPAND AMBUL CARE	6,500	3
84	3		48,900	
85	GRAND ISLAND, NE	STAIRWELLS,SPRINKLERS,HVAC,PRIV.&SUPPORT	6,400	1
	BOSTON, MA	FIRE & SAFETY IMPROVEMENTS	5,400	2
	COATESVILLE, PA	FIRE & SAFETY IMPROVEMENTS	20,000	3
	PITTSBURGH (HD), PA	F&S SMOKE DETECT MODIFY HVAC/2ND ELEC SYS	11,000	4
	LYONS, NJ	FIRE & SAFETY IMPRPOVEMENTS (EXITS,SPRINKLERS)	12,800	5
	HAMPTON, VA	FIRE & SAFETY IMPROVEMENTS	10,000	6
85	6		65,600	
86	CHICAGO WESTSIDE, IL	FIRE&SAFETY/PATIENT PRIVACY IMPROVEMENTS	5,500	1
	INDIANAPOLIS, IN	FIRE & SAFETY IMPROVEMENTS(WT & CS)	7,500	2
	CLEVELAND, OH	FIRE & SAFETY IMPROV (LIFE SAFETY & STAIRS)WP	7,000	3
	KNOXVILLE, IA	FIRE & SAFETY IMPROV.(SPRINKLERS)	7,500	4
	TOPEKA, KS	FIRE & SAFETY IMPROVEMENTS(EXITS)	16,000	5
	CLEVELAND, OH	F&S IMPROV (LIFE SAFETY), BLDGS 1-7(BRECK)	10,000	6
	JACKSON, MS	INSTALL FIRE SPRINKLERS	7,200	7
86	7		60,700	
87	WOOD, WI	INSTALL AUTO SPRINKLERS,B-111	8,800	1

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: FIRE & SAFETY IMPROV

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
87	1		8,800	
	17		184,000	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: GENERAL PROJECTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	WAREHOUSE			
	HINES, IL	NEW WAREHOUSE/SERVICE BUILDING	11,000	1
	SAN ANTONIO, TX	SUPPLY WAREHOUSE & SPD	4,200	2
	LAUNDRY			
	PERRY POINT, MD	NEW LAUNDRY BLDG	7,700	1
	PITTSBURGH (HD), PA	CENTRAL LAUNDRY	6,500	2
	"OTHER" GENERAL			
	BROCKTON, MA	MODERNIZE BLDGS. 2 & 7	24,000	1
	WACO, TX	CONSTRUCT NEW DIETETIC BUILDING	7,500	2
	CASTLE POINT, NY	BUILDING ADDITION	8,000	3
84	7		68,900	
85	WAREHOUSE			
	LONG BEACH, CA	CONSTRUCT SUPPLY WAREHOUSE	6,000	1
	LAUNDRY			
	AMERICAN LAKE, WA	CONSTRUCT NEW LAUNDRY(REPLACEMENT)	3,200	1
	SAINT LOUIS, MO	LAUNDRY REPLACEMENT	2,100	2
	"OTHER" GENERAL			
	DANVILLE, IL	RENOVATE BUILDING 14(ADMINISTRATION)	3,800	1
85	4		15,100	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: GENERAL PROJECTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
86	WAREHOUSE			
	WOOD, WI	CONSTRUCT SUPPLY WAREHOUSE & ENGINEERING SHOPS	8,000	1
	Laundry			
	MARTINSBURG, WV	REPLACE LAUNDRY BUILDING	12,000	1
	WEST LOS ANGELES, CA	CORRECT LAUNDRY DEFICIENCIES	15,000	2
	"OTHER" GENERAL			
	BROOKLYN, NY	MODERNIZE KITCHEN & SATELLITE DINING AREAS	6,000	1
	NASHVILLE, TN	PRIVACY IMPROV/CONSTRUCTION FOR ADMIN SERVICES	8,000	2
	COATESVILLE, PA	MAIN KITCHEN RENOVATION	4,000	3
86	6		53,000	
87	WAREHOUSE			
	MIAMI, FL	WAREHOUSE EXPANSION	3,800	1
	NEW YORK, NY	SUPPLY WAREHOUSE	4,000	2
	SAINT LOUIS, MO	WAREHOUSE IMPROVEMENTS(JB)	6,000	3
	LAUNDRY			
	KNOXVILLE, IA	REPLACE LAUNDRY	10,000	1
	MONTROSE, NY	NEW LAUNDRY	15,000	2

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: GENERAL PROJECTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
	"OTHER" GENERAL			
	LYONS, NJ	RENOVATE PSYCHIATRIC CARE UNIT, B#53	6,400	1
	NEWINGTON, CT	ADDITION BLDG 1&2 (HVAC,PAT PRIVACY,SUPPORT SYS)	45,000	2
	PERRY POINT, MD	NEW INTERMEDIATE CARE BLDG	30,000	3
	MEMPHIS, TN	EXPAND & RENOVATE SPD	3,725	4
	JACKSON, MS	CONSTRUCT 70 ACUTE PSYCH BEDS	7,000	5
87	10		130,925	
88	WAREHOUSE			
	MEMPHIS, TN	NEW SUPPLY WAREHOUSE	2,450	1
	SPECIAL ACTIVITY BLDGS.			
	COATESVILLE, PA	SPECIAL ACTIVITIES BLDG & 300 BED DOMICILIARY	35,000	1
	WACO, TX	SPECIAL ACTIVITIES & NEW CANTEEN BLDG	8,400	2
	TOMAH, WI	CONSTRUCT MULTIPURPOSE BLDG.	6,000	3
	CANANDAIGUA, NY	SPECIAL ACTIVITIES BUILDING	5,000	4
	SHERIDAN, WY	SPECIAL ACTIVITIES BLDG	5,500	5
	BONHAM, TX	RECREATION BUILDING	4,500	6
	PARKING			
	DURHAM, NC	PARKING GARAGE	11,000	1
	MEMPHIS, TN	VERTICAL PARKING STRUCTURE	12,000	2
	DENVER, CO	PARKING STRUCTURE	3,400	3
	SYRACUSE, NY	PARKING STRUCTURE	11,000	4
	OKLAHOMA CITY, OK	PARKING STRUCTURE	4,000	5

RANKING (BY CATEGORY)
FY 1984–FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: GENERAL PROJECTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
88	PARKING (Continued)			
	SHREVEPORT, LA	PARKING STRUCTURE	6,600	6
	ANN ARBOR, MI	PARKING STRUCTURE	12,000	7
	"OTHER" GENERAL			
	TUSKEGEE, AL	ENCLOSE 1ST 2 FLRS, BLDG 120	4,400	1
	WILKES BARRE, PA	RENOV WARDS 3-9 CORR F&S DEFICIENCY	18,300	2
	BOISE, ID	REMODEL/BACKFILL BLDG 27 & 67	8,000	3
88	17		157,550	
	44		425,475	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: HEAT,VENT,A/C (HVAC)

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
87	PALO ALTO, CA	HVAC,PATIENT PRIVACY & SUPPORT SYSTEMS,B#1	20,000	1
	FORT LYON, CO	HVAC-CENTRAL SYSTEM	8,500	2
	ERIE, PA	HVAC,PATIENT PRIVACY & SUPPORT,SEISMIC	19,000	3
	GRAND JUNCTION, CO	HVAC,PATIENT PRIVACY,SUPPORT SYSTEMS	12,000	4
	MADISON, WI	HVAC AND PATIENT SUPPORT SYSTEMS	11,600	5
	BATTLE CREEK, MI	HVAC;PAT PRIV;SUPP SYS,B#4,7,8,13,14,22,39	25,000	6
87	6		96,100	
88	ALTOONA, PA	CENT HVAC/RETURN SYS F&S IMPROV (SPRINK)	10,200	1
	SHERIDAN, WY	HVAC,PAT PRIV & SUPP SYS	7,600	2
	LIVERMORE, CA	HVAC,WD RENOV,B#62,64;CORRECT ELEC DEFIC	17,800	3
	BATH, NY	HVAC,PAT PRIV,SUPPORT SYS	21,900	4
	CANANDAIGUA, NY	HVAC, PAT PRIV & SUPPORT SYS	17,000	5
	CHEYENNE, WY	HVAC, PAT PRIV & SUPP SYS	6,000	6
	ALBANY, NY	HVAC, ELEC DEFIC	28,000	7
	HINES, IL	CENTRAL A/C PLANT,BLDG 1, ELEVATORS BLDG 200	9,000	8
	FAYETTEVILLE, AR	A/C BLDG 2&3;RENOV KITCHEN	7,000	9
	ANN ARBOR, MI	CENTRAL AIR CONDITIONING	30,000	10
	WICHITA, KS	HVAC MEDICAL CENTER	4,000	11
	BUFFALO, NY	HVAC	20,000	12
	LYONS, NJ	HVAC & RENOVATE PATIENT AREAS, CIRCLE II	76,800	13
88	13		255,300	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: HEAT, VENT, A/C (HVAC)

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
	19		351,400	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: NURSING HOME CARE

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	SAN FRANCISCO, CA	120 BED NURSING HOME CARE UNIT & PARKING	14,700	1
	LYONS, NJ	240 BED NURSING HOME CARE UNIT	20,000	2
	WEST LOS ANGELES, CA	120 NURSING HOME CARE BEDS(CONVERSION)B#213(PH2)	7,500	3
	LOMA LINDA, CA	60 BED NURSING HOME CARE UNIT	4,500	4
	NORTHPORT, NY	120 BED NURSING HOME CARE UNIT	8,200	5
	MIAMI, FL	120 BED NURSING HOME CARE UNIT	7,100	6
	PROVIDENCE, RI	60 BED NURSING HOME CARE UNIT	5,300	7
84	7		67,300	
85	SAN JUAN, PR	120 BED NHCU & BLIND REHAB	11,300	1
	ALEXANDRIA, LA	120 BED NURSING HOME CARE UNIT	8,300	2
	DURHAM, NC	120 BED NHCU,ENGR OFFC,LINEN SUPPLY RELOC,RES.	17,000	3
	PRESCOTT, AZ	120 BED NURSING HOME CARE UNIT	10,000	4
	MURFREESBORO, TN	120 BED NURSING HOME CARE UNIT	9,900	5
	WEST LOS ANGELES, CA	120 BED NURSING HOME CARE UNIT, BLDG 212	7,000	6
85	6		63,500	
86	MARION, IN	CONVERT BLDGS. 7,10,11,&18 TO 180 BED NHCU	7,500	1
	TUCSON, AZ	120 BED NURSING HOME CARE UNIT	10,000	2
86	2		17,500	
87	CHEYENNE, WY	REPLACE & EXPAND NURSING HOME CARE UNIT	11,000	1
	AMARILLO, TX	120 BED NURSING HOME CARE UNIT	11,000	2
	FORT WAYNE, IN	120 BED NURSING HOME CARE UNIT	11,000	3

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: NURSING HOME CARE

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
87	SAINT CLOUD, MN	RENOV/RELOCATE 60 BED NHCU	7,700	4
	LEAVENWORTH, KS	120 BED NURSING HOME CARE UNIT	8,000	5
	FAYETTEVILLE, AR	120 BED NURSING HOME CARE UNIT	11,000	6
	NEW ORLEANS, LA	120 BED NHCU & PARKING STRUCTURE	19,800	7
	SHERIDAN, WY	NURSING HOME CARE UNIT	2,500	8
	TAMPA, FL	120 BED NURSING HOME CARE UNIT (ADDL)	11,000	9
	BATTLE CREEK, MI	180 BED NURSING HOME CARE UNIT	22,000	10
	WILKES BARRE, PA	60 BED NURSING HOME CARE UNIT (ADD FLR)	7,000	11
	ALBUQUERQUE, NM	120 BED NURSING HOME CARE UNIT	11,000	12
	HAMPTON, VA	ADDL FLOOR NHCU, B-146	7,000	13
	BILOXI, MS	120 BED NURSING HOME CARE UNIT	11,000	14
	BECKLEY, WV	60 BED NURSING HOME CARE UNIT	6,000	15
	DUBLIN, GA	60 BED NURSING HOME CARE UNIT	6,000	16
	FARGO, ND	60 BED NURSING HOME CARE UNIT	6,000	17
	SIOUX FALLS, SD	60 BED NURSING HOME CARE UNIT	6,000	18
	BONHAM, TX	120 BED NURSING HOME CARE UNIT	11,000	19
87	19		186,000	
88	TOPEKA, KS	120 BED NURSING HOME CARE UNIT	11,500	1
	KANSAS CITY, MO	CONSTRUCT 60 BED NURSING HOME CARE UNIT	7,000	2
	FORT HARRISON, MT	60 BED NURSING HOME CARE UNIT	7,000	3
	SALT LAKE CITY, UT	EXTENDED CARE RESOURCE FACILITIES COMPLEX	24,500	4
	ROSEBURG, OR	120 BED NURSING HOME CARE UNIT	11,500	5
	GAINESVILLE, FL	120 BED NURSING HOME CARE UNIT ADDN	11,500	6

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: NURSING HOME CARE

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
88	LAKE CITY, FL	ADDITIONAL 120 BED NURSING HOME CARE UNIT	11,500	7
	MOUNTAIN HOME, TN	120 BED NURSING HOME CARE UNIT	11,500	8
	FAYETTEVILLE, NC	120 BED NURSING HOME CARE UNIT	11,500	9
	ASHEVILLE, NC	120 BED NURSING HOME CARE UNIT	11,500	10
	WILMINGTON, DE	60 BED NURSING HOME CARE UNIT	7,000	11
	COATESVILLE, PA	120 BED NURSING HOME CARE UNIT	11,500	12
	LOUISVILLE, KY	120 BED NURSING HOME CARE UNIT	11,500	13
	ALEXANDRIA, LA	RENOVATE B-3 & B-5 (125 NHCU BEDS)	7,000	14
	INDIANAPOLIS, IN	120 BED NURSING HOME CARE UNIT (CS)	11,500	15
	CHARLESTON, SC	NHCU & DAY HOSPITAL	11,000	16
	PALO ALTO, CA	60 BED NURSING HOME CARE UNIT	7,000	17
	WHITE RIVER JCT, VT	60 BED NURSING HOME CARE UNIT	7,000	18
88	18		192,500	
	52		526,800	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: OUTPATIENT IMPROVEMENTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	CHICAGO WESTSIDE, IL	OUTPATIENT ADDITION/RENOVATE BLDGS 11A &11B	36,100	1
	PITTSBURGH(UD), PA	OUTPATIENT CLINIC ADDITION	21,980	2
	OMAHA, NE	OUTPATIENT CLINIC ADDITION	26,000	3
84	3		84,080	
85	LOS ANGELES(OPC), CA	REPLACE OUTPATIENT CLINIC	33,100	1
	SHREVEPORT, LA	AMBUL CARE BLDG/LINEAR ACCELERATOR	8,700	2
	IOWA CITY, IA	OUTPATIENT,RESEARCH,EDUCATION ADDN,BLDG 1	21,000	3
	GRAND JUNCTION, CO	OUTPATIENT & CLINICAL ADDITION	13,400	4
	WEST ROXBURY, MA	OUTPATIENT ADDITION,RES & EDUC,ADMIN,SEISMIC	50,500	5
	SHERIDAN, WY	OUTPATIENT CLINIC ADDITION	12,000	6
85	6		138,700	
86	DUBLIN, GA	OUTPATIENT CLINIC ADDITION	2,200	1
86	1		2,200	
87	MONTGOMERY, AL	OUTPATIENT CLINIC ADDITION	18,100	1
	COATESVILLE, PA	CONSOLIDATE OP SPACE,B#2	3,500	2
	NORTHPORT, NY	OUTPATIENT CLINIC BUILDING	8,000	3
	KERRVILLE, TX	OUTPATIENT/CLINICAL IMPROVEMENTS	7,000	4
87	4		36,600	
88	ALBANY, NY	OUTPATIENT ADDITION	4,000	1

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: OUTPATIENT IMPROVEMENTS

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
88	1		4,000	
	15		265,580	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: REPLACEMENT/MODERNIZATION

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	MINNEAPOLIS, MN	REPLACE HOSPITAL BUILDINGS	254,000	1
	BILOXI, MS	MODERNIZE VARIOUS BUILDINGS (BD & GD)	78,800	2
84	2		332,800	
85	BALTIMORE, MD	REPLACEMENT HOSPITAL	111,000	1
	HOUSTON, TX	REPLACEMENT/MODERNIZATION	31,000	2
	ALLEN PARK, MI	REPLACEMENT/MODERNIZATION	25,000	3
	MOUNTAIN HOME, TN	BED TOWERS/RENOVATION	8,500	4
	AUGUSTA, GA	REPLACEMENT/MODERNIZATION,INCL SEISMIC	13,900	5
	PHILADELPHIA, PA	CLIN ADDN/RENOVATION/NHCU/PARKING	18,400	6
	NEW YORK, NY	OUTPATIENT/CLINICAL ADDN & ALTERATIONS	98,400	7
85	7		306,200	
86	HOUSTON, TX	REPLACEMENT/MODERNIZATION	279,000	1
	MOUNTAIN HOME, TN	BED TOWERS/RENOVATION	76,500	2
	AUGUSTA, GA	REPLACEMENT/MODERNIZATION,INCL SEISMIC	125,100	3
	PHILADELPHIA, PA	CLIN ADDN/RENOVATION/NHCU/PARKING	165,600	4
	HONOLULU, HI	REMODEL E WING,TRIPLER ARMY HOSP(RO MED ACTIVITY)	42,000	5
	GAINESVILLE, FL	290-BED PSYCH FACILITY	6,000	6
	BOSTON, MA	CLIN OP EDUC ADDN,PAT PRIV,SEISMIC	18,000	7
	PITTSBURGH(UD), PA	REPLACEMENT/MODERNIZATION HOSPITAL(ASP)	11,000	8
86	8		723,200	
87	ALLEN PARK, MI	REPLACEMENT/MODERNIZATION	225,000	1

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: REPLACEMENT/MODERNIZATION

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
87	GAINESVILLE, FL	290-BED PSYCH FACILITY	60,000	2
	BOSTON, MA	CLIN OP EDUC ADDN,PAT PRIV,SEISMIC	162,000	3
	PITTSBURGH(UD), PA	REPLACEMENT/MODERNIZATION HOSPITAL(ASP)	99,000	4
	FLORIDA AREA	NEW FLORIDA HOSPITAL(PALM BEACH COUNTY)	18,000	5
	SAN JUAN, PR	MODERNIZE MEDICAL CENTER	10,000	6
	DAYTON, OH	REPLACEMENT/MODERNIZATION	15,000	7
87	7		589,000	
88	FLORIDA AREA	NEW FLORIDA HOSPITAL(PALM BEACH COUNTY)	168,000	1
	SAN JUAN, PR	MODERNIZE MEDICAL CENTER	90,000	2
	DAYTON, OH	REPLACEMENT/MODERNIZATION	135,000	3
	TUCSON, AZ	MODERNIZE/BED ADDITION	60,000	4
88	4		453,000	
	28		2,404,200	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: RESEARCH

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
84	EAST ORANGE, NJ	RELOCATE/CONSOL RESEARCH,EXPAND CLINICAL LAB	3,800	1
84	1		3,800	
85	BUFFALO, NY	RESEARCH BUILDING/CLINICAL EXPANSION	18,000	1
85	1		18,000	
86	WHITE RIVER JCT, VT	RESEARCH & EDUCATION BUILDING	7,100	1
86	1		7,100	
87	SEATTLE, WA	CONSTR ANIMAL RESEARCH BUILDING	3,800	1
	DENVER, CO	RESEARCH BUILDING	9,900	2
	MIAMI, FL	3 FLOOR ADDN TO R&E BLDG	7,200	3
	WEST LOS ANGELES, CA	RENOVATE/REPLACE RESEARCH BUILDINGS	30,000	4
	INDIANAPOLIS, IN	RESEARCH BUILDING	25,000	5
87	5		75,900	
88	CINCINNATI, OH	RESEARCH BUILDING	6,000	1
	CLEVELAND, OH	ADDN. RESEARCH SPACE	6,400	2
	OKLAHOMA CITY, OK	EXPAND RESEARCH ADDN	4,000	3
	HUNTINGTON, WV	RESEARCH ADDN,B#5	4,300	4
	SALT LAKE CITY, UT	RESEARCH & SUPPORT SERVICES,B-2	13,000	5
	TAMPA, FL	RESEARCH ADDITION - BLDG. 2	5,100	6
88	6		38,800	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: RESEARCH

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
	14		143,600	

RANKING (BY CATEGORY)
FY 1984-FY 1988 FIVE YEAR MEDICAL FACILITY CONSTRUCTION NEEDS ASSESSMENT
CATEGORY: SEISMIC DEFICIENCIES

YEAR	MEDICAL CENTER	PROJECT TITLE	COST $(000)	RANK
85	MARION, IL	CORRECT SEISMIC	4,700	1
85	1		4,700	
86	MEMPHIS, TN	SEISMIC,ELEV,LAB,CYSTO,SURG,RENOV FLR 12 & 13	24,300	1
	BATAVIA, NY	CORRECT SEISMIC,A/C & REMODEL WARDS A,B,C,D,&E	22,000	2
	SAINT LOUIS, MO	SEISMIC CORRECTIONS (JB)	16,000	3
	SAN DIEGO, CA	CORRECT NONSTRUCTURAL SEISMIC DEFICIENCIES	7,500	4
86	4		69,800	
87	BROCKTON, MA	CORRECT SEISMIC	33,000	1
	PRESCOTT, AZ	CORRECT SEISMIC,RENOVATE WARDS,HOSPITAL EXPANSION	33,000	2
	ATLANTA, GA	CORRECT SEISMIC	4,000	3
	TOGUS, ME	CORRECT SEISMIC	20,500	4
	ALBUQUERQUE, NM	RENOV SEISMIC ENERGY CONNECT TO CENT CHILL B-1	12,000	5
87	5		102,500	
88	AMERICAN LAKE, WA	CORR SEIS,PAT PRIV,F&S(VARIOUS BLDGS)	45,200	1
	NORTHAMPTON, MA	PATIENT PRIVACY & SUPPORT , SEISMIC	54,100	2
	MANCHESTER, NH	PAT PRIV & SUPPORT, SEISMIC	13,100	3
	COLUMBIA, SC	CORRECT SEISMIC BLDG.# 3	8,400	4
88	4		120,800	
	14		297,800	

Senator Garn—Continued

CONSTRUCTION PLAN FOR THE YEAR 2000

Question: Do you have a plan that now drives our overall construction program to meet the medical needs of the Year 2000?

Answer: The 1983 MEDIPP submission required that Fiscal Year 1990 be used as the primary target year. The 1984 MEDIPP submission will require that the entire planning horizon from 1990 to 2000 be used as the target year. The target year selected within this planning horizon is expected to meet VA Medical Districts' needs out to the year 2000.

Question: Do we know today how many hospitals we will have to have by that date?

Answer: The need and justification for VA hospitals is evaluated annually in the MEDIPP submissions by virtue of the bed-sizing needs of VA Medical Districts. The MEDIPP bed-sizing methodology provides the data which is the basis for the number of hospitals ultimately needed in the VA medical care system. The MEDIPP process, for example, has resulted in the identification of the need for at least one additional VA hospital in Southern Florida.

Question: Will we need more than 172 hospitals or less?

Answer: Data from existing MEDIPP submissions show a continuing need for the existing VA hospitals along with a need for at least one additional VA hospital in Southern Florida. Data from the 1984 MEDIPP submission will be used to make determinations about any changes from the 1983 submission.

Question: How many beds, and of what type, will we need at that time?

Answer: Data from existing MEDIPP submissions indicate that the VA will need to operate a moderately higher number of beds than it currently does by the year 1990. The aging of the veteran population places a heavier requirement not only for "extended-type beds" but also for acute beds. Data from the 1984 submission will be used to determine bed requirements out to the Year 2000.

Question: What assumptions are we making about the population to be served?

Answer: In order to make statistical projections about VA bed-sizing needs, it is necessary to make several assumptions about the population to be served, as follows:

(a) the veteran population is aging;
(b) the veteran population is declining in overall size; and,
(c) discharge rates and Length of Stay for veterans can be projected based on the historical use patterns of veterans.

Question: What about the non-service connected disability veteran population?

Answer: Both the service-connected (SC) and the non-service connected (NSC) veteran populations are declining in size while the groups are increasing in average age. The total number of NSC and SC veterans remain relatively stable out to 1990. Indications are that the NSC veteran population is aging less rapidly than the SC veteran population. This may be attributed to the fact that the percent of SC veterans is higher during wartime.

Question: Has a study been made of the feasibility of a "user fee" for medical care related to these types of disabilities?

Answer: The feasibility of a "user fee" currently is being studied by a consultant firm and a report is due October 1984.

Question: Are we planning to have a specific number of beds based on a specified waiting period for various types of illnesses?

Answer: Current MEDIPP projections rely on estimations of discharge rates which are service-specific; that is, discharges by age for a Medical Service, a Surgical Service, etc. The VA is currently developing a projection model based on the concept of Diagnostic-Related Groups (DRG's) which are "illness-specific."

SIZING OF SURGICAL SUITES

Question: Last year's testimony indicated that research at the Ann Arbor VA Medical Center to develop a surgical management information system would be completed by April 1984. Is the research still on schedule?

Answer: Our efforts to develop a new surgical management information system have not proceeded as rapidly as originally expected. The development of an acceptable study protocol and the securing of funding to conduct the study have been ongoing. The Ann Arbor VA Medical Center has currently submitted a proposal to VA Central Office for funding. This proposal is under consideration, and it is expected that our resource allocation committee will reach their decision within the next few weeks. The Ann Arbor VA Medical Center staff in concert with the University of Michigan have begun by building an information system in support of the proposed effort. We would expect, however, that once the funding issue is resolved, the final completion of the study will take an estimated 18 months duration.

Question: What utilization standard will you be incorporating into the new surgical criteria for construction projects?

Answer: The utilization standard which will be adopted as a result of this study cannot be determined at this time.

FEMALE VETERANS

Question: In 1971, there were over 42,000 women in the military (about 1.6% of the military population). In 1983, there were over 196,000 women in the military (about 9.3% of the military population). Would you please update the information provided at last year's hearing specifying how the VA is adjusting to provide adequate services for the rapidly increasing population of female veterans?

Answer: It is estimated that there were 1,150,000 female veterans living in the U.S. and Puerto Rico as of March 1983. This represents 4.1% of the total veterans population and an increase of 3.5% over the 1980 census based on an average of 24,400 females separated annually from military service and 11,400 deaths each year. (The increase would be greater except that P. L. 96-342 denies veteran status to persons who fail to complete at least two years of active duty. Roughly 30% of the females discharged from the armed forces have less than two years of service.)

In the past year the Veterans Administration chartered and convened an 18 member Advisory Committee on Women Veterans. The first meeting was held September 14-16, 1983 and the second meeting, February 8-10, 1984. The committee was rechartered in February 1984 in keeping with Public Law 98-160, dated November 21, 1983. The committee will meet again May 14-15, 1984 and is continuing to provide the Administrator with advice and recommendations on the needs of female veterans.

The Department of Medicine and Surgery published Circular 10-83-14 in January 1983 requiring that all VA facilities have a written plan for the care of female veterans in place by June 31, 1983. These plans were reviewed by Central Office staff and revised as necessary. Ongoing review is now the responsibility of the Systemic External Review Process (SERP). All stations have satisfactory plans in effect addressing at a minimum:

1. The definition of a complete physical exam,
2. the provision of inpatient gynecologic services,
3. the provision of gynecologic services to outpatients,
4. referral procedures for services currently unavailable because of privacy deficiencies.

At the same time a survey of all 172 medical centers was done to determine if specific projects were needed to correct physical barriers which might limit access by female veterans. Only 28 facilities were identified where corrections were still needed. Projects were already in place for 22 facilities and actions were taken to include necessary projects in the 1984-1989 Five Year Facility Plans for the remaining six. On June 27, 1983, Circular 10-83-24 was published entitled "Mission, Goals, and Objectives of the Veterans Administration and the Department of

Medicine and Surgery." Included was the goal of providing health care for the growing numbers of female veterans.

The long range planning effort of the Department of Medicine and Surgery, the Medical District Initiated Planning Process (MEDIPP), also included guidance for the care of female veterans in the 1984 round and district plans addressed the issue.

The Chief Medical Director published a letter to the field on December 6, 1984 (IL 10-80-43) to update staff on efforts undertaken to assure that female veterans have equal access to VA health care and other benefits and once again stressing the commitment of DM&S to this goal. Circular 10-83-14 stressing planning for and providing comprehensive health services for female veterans was revised and reissued as Circular 10-84-8 on January 24, 1984.

Statistical information on female veterans is being compiled and made available regularly. A very useful document entitled "The Female Veteran Population" was published in November 1983 (RSM 70-84-1). A major survey is to be completed in early 1984 which will provide the VA with information on female veterans that has never before been available.

ANNUAL SAFETY INSPECTION

Question: OSHA inspections during November of 1983 at two VA facilities cited violations of "professional accepted practices". Less than three weeks previously VA's own safety, health and fire inspection detected no problems in the handling of "anti-neoplastic drugs", a class of drugs used to fight cancer which have the potential to also cause the disease. Have you evaluated the claim made by the safety director for the American Federation of Government Employees National VA Council that the VA inspector's qualifications may not have been adequate to identify some hazards other than in the area of fire safety?

Answer: We do not know that such a claim has been made by Mr. White to us. However, we recognize the limitations of our inspection staff, especially in the area of occupational health. We have encouraged them to recommend to medical centers that the services of industrial hygienists be utilized to conduct baseline surveys which would identify problems such as those presented by the anti-neoplastic drugs. We are also considering a plan of action which would direct each medical center to conduct these surveys independently of the inspector's visit, and develop plans of action for implementation. Then, with a minimum of additional training, the safety inspector will be able to follow-up to see that recommended actions have been taken. At least one medical region has hired an industrial hygienist on the regional staff to assist the medical centers in that region.

Question: Has a national VA evaluation been conducted as to the adequacy of the qualifications required for the VA inspectors performing the annual facility safety, health and fire inspections and the potential exposure of staff and patients to unnecessary hazards due to inadequate pharmaceutical or other safety practices? If so, what are the results and the changes being made --if any?

Answer: A survey completed in 1982 indicated a need for approximately 500 hours of training in order to be fully qualified as a VA inspector. Much of this training should be available and be completed prior to assignment as a VA safety inspector, however, very little is actually completed before assuming the duties of a safety inspector. Consequently, much of the training is the "on the job" type. We are developing a more comprehensive training plan and will request additional resources as required. A certification program will be a part of the training effort, with a requirement to pass a written examination prior to being a fully qualified safety inspector. The Department of Labor also noted this weakness and cited it as a key recommendation in their 1983 evaluation of our safety program. With regard to the exposure of staff and patients to unnecessary hazards of pharmacological agents, we are in the process of publishing detailed guidance which will require specific actions on the part of medical center officials. This guidance is being published by our medical staff and will address those items which have been called to our attention by Mr. White, other VA employees, as well as the Department of Labor.

FACILITY ACTIVATIONS DURING FY 84 AND FY 85

Last year, you provided to the Subcommittee a list of the VA facilities that were expected to be activated during FY 84. The list included the number of FTEE's that would be required to staff these facilities. Although many of these facilities represent renovations, remodelings and improvements, in not one case out of the 44 activations did you show a decrease in FTEE. In fact, in total, you showed an increase of about 2,000 FTEE as a result of these activations. This year you show an increse of 2,557 FTEE.

One of the major rationales used by the hospital directors and the VA for renovations, improvements and remodeling is that they will increase hospital efficiency.

Question: Last year, you hadn't been with the VA long enough to address this issue. Would you now indicate why we do not have any examples of where we are showing a decrease in personnel requirements as a result of these improvements?

Answer: Increased staffing efficiency in the industrial engineering or cost accounting, productivity sense is not a primary justification of the medical construction program, and has not been used to justify the FY 85 budget request. Additional operating resources will be required for most projects to meet increased demand for inpatient and outpatient care, and to maintain and care for new building systems, space, and more sophisticated medical equipment and treatment modalities. Cost avoidance may occur due to more energy efficient construction, and other design and construction improvements, but this economy is difficult to document and not obtainable. The Veterans Administration's medical system historically has been under staffed. Already high productivity and individual dedication have enabled the delivery of care at the exceptional levels of quality for which the VA is known. The true efficiencies to be gained through the construction program are from the perspective of veterans, who won't have to wait so long or walk so far to get the care they deserve.

ALLOCATION OF CONSTRUCTION FUNDS TO MEDICAL CENTERS

Question: This year's request includes $41 million for maintenance and repair (capitalized), and $30 million for minor improvements (pages 5-40 and 5-41). I understand that the minor improvement funds are for projects where the minor improvement portion of the project is less than $100,000. (Projects where the minor improvement portion of the project exceeds $100,000 are funded through the major and minor construction account). How do you allocate these funds to the medical centers?

Answer: The medical centers assess local maintenance and repair, and capital investment needs, and annually submit project requests. These needs are identified by each medical center in a priority listing and then these lists are consolidated into a medical district priority listing. Project selections are based upon priorities within each budget area.

Question: Did you use your "Space and functional deficiency index" system to identify relative needs at the medical center?

Answer: The SFDI system identifies the space and functional deficiencies that exist in a Service, relative to established criteria. It is used in the analysis of need for construction strategies to correct identified deficiencies. As such, it is not used to assess need for maintenance and repair projects nor is it used in the allocation process.

Question: What relation does this allocation process have to the medical centers needs, as expressed in the MEDIPP submissions?

Answer: The MEDIPP process provides a programmatic needs assessment base for construction project planning and formulates strategies for new construction or renovation As such, it does not assess the need for maintenance and repair projects.

NURSING HOME CARE UNITS

Question: Your FY 85 budget request for major construction includes $45.3 million for facilities to add 780 nursing home care beds at seven VA locations and $5.5 million for a 117-bed nursing home care conversion. The justification states that projected needs for nursing home care beds exceeds the existing

VA capacity. In your calculations for projecting nursing home bed needs, do you differentiate serviceconnected from non-service-connected veterans in order to limit construction of these facilities to what is needed to accommodate the service-connected?

Answer: No differentiation is made between service-connected and non-service connected veterans in determining need for nursing home care.

Question: What percentage of veterans treated in VA nursing home during FY 83 had service-connected disabilities?

Answer: During FY 83, approximately 37 percent of the patients being treated on any one day in VA nursing homes were service-connected.

Question: What was the percentage of service-connected veterans treated in the state and community homes?

Answer: Approximately 13 percent of the patients being treated in state nursing homes were serviceconnected veterans, and 45 percent of the patients treated in community nursing homes were also service-connected veterans.

ESCALATION FACTOR

Question: This year you are using escalation rates agreed to by OMB in developing your construction project costs.

What are the escalation rates used for the construction budget?

Answer: The escalation rates used in the FY 1985 budget are:

Year	Rate
1983	4.4
1984	5.0
1985	5.2
1986	5.0
1987	4.8
1988	4.0

Question: Please prepare a table displaying the CPI and escalation rate for each of the last ten years and the amount available in the working reserve.

Answer: The table follows:

($ IN THOUSANDS)

FISCAL YEAR	ANNUAL ESCALATION RATE	CPI*	BOECKH INDEX**	WORKING RESERVE***
FY 1974	3.60	9.14	9.83	
FY 1975	5.00	5.77	9.88	
FY 1976	9.00	6.46	7.73	$ 0
FY 1977	9.00	7.66	8.18	614
FY 1978	7.00	11.26	5.77	1,793
FY 1979	7.00	13.53	7.68	5,918
FY 1980	8.00	10.38	9.22	9,874
FY 1981	10.00	6.13	9.90	15,872
FY 1982	11.00	3.22	9.19	20,291
FY 1983	11.00		6.49	26,793
FY 1984	8.00			15,433
FY 1985	5.20			38,441

*CPI is for calendar year and is not available for 1984 and beyond. This is the percent of change in CPI.

**Boeckh index figures are percent changes in the index each year.

***Total estimated balance at Congressional Budget Submission (proposed offset amount each year already deducted).

WORKING RESERVE FUND

Question: You are proposing to offset your request for major construction projects ($739,594,000) with $120 million from your working reserve fund. These monies accumulate when actual project costs are less than the funds the Congress has provided. One realistic way to make sure the funds are adequate is to use an inflation factor slightly higher than the actual rate experienced.

Working reserve funds are also used for reprogrammings approved by the Congress during the fiscal year.

What inflation factor did you use in estimating projects in FY 1983?

Answer: For the FY 1983 budget estimates, we used 12% for FY 1981, 11% for FY 1982 and 11% for FY 1983 and thereafter.

Question: What are you now using in FY 1984?

Answer: For the FY 1984 budget estimates, we used 4% in FY 1982, 6% in FY 1983 and 8% in FY 1984 and thereafter.

Question: What factor do you anticipate using in FY 1985?

Answer: For the FY 1985 budget estimates, we used 4.4% for FY 1983, 5% for FY 1984, 5.2% for FY 1985, 5.0% for FY 1986, 4.8% for FY 1987, and 4.0% for FY 1988.

Question: What is the balance in the working reserve fund?

Answer: As of 2/29/84, the balance in the working reserve fund was $22,622,129.

Question: How much was added to the fund in FY 1983?

Answer: In FY 1983, $231,204,000 was added.

Question: For each project represented in the working reserve on which actual expenses were less than the funds available, indicate the amount appropriated by the Congress for the project, the amount you actually spent on the project, and the amount transferred to the working reserve fund.

Answer: A list follows detailing the individual projects that contributed funds to the working reserve during FY 1983.

FUNDS TRANSFERRED TO WORKING RESERVE - FY 1983

From Projects in Progress with Revised Cost Targets:

Location	Title	Funds Appropriated ($ in 000s)	Current Total Estimated Cost ($ in 000s)	Amount Transferred ($ in 000s)
Albuquerque, MN	New Clinical Service	$105,000	$ 61,844	$ 43,156
Atlanta, GA	Two Additional Elevators	3,000	2,063	937
Birmingham, AL	Clinical Addition & Mod.	55,300	53,224	2,076
Boise, ID	Primary & Secondary Distr.	3,300	947	2,353
Boise, ID	NHC-60 Beds	6,200	2,824	3,376
Bronx, NY	NHC-120 Beds	11,700	10,080	1,620
Brooklyn, NY	Air Oxygen Vacuum System	3,900	3,476	424
Chillicothe, OH	Modernization	16,400	12,625	3,775
Danville, IL	Reloc/Expand PAD	6,400	3,461	2,939
Denver, CO	Clinical Support, A/C, S&F	64,000	41,481	22,519
Denver, CO	NHC-60 Beds	6,500	4,335	2,165
Ft. Custer, MI	Develop Gravesites	4,000	2,960	1,040
Ft. Sam Houston, TX	Develop 10,500 Gravesites	1,832*	911	1,021
Ft. Snelling, MN	Develop 29 Acres	2,250	1,772	478
Hines, IL	Supply Depot Expansion	9,000	6,257	2,743
Houston, TX	Emerg. Gen. & Elect. Improv.	2,800*	1,975	1,221
Lake City, FL	Primary & Secondary Distr.	3,300	1,388	1,912
Lake City, FL	NHC-120 Beds	9,100	4,743	4,357
Lincoln, NE	Outpatient Addition	7,350	4,234	3,116
Long Beach, CA	Research Addition	12,600	8,650	3,950
Louisville, KY	Med. Gas, Nurse Call	3,700	2,356	1,344
Marion, IL	NHC-60 Beds	5,800	3,822	1,978
Memphis, TN	120 Bed Spinal Cord Inj.	34,000	20,815	13,185
Miami, FL	O/P Addition, Renovation	49,000	19,362	29,638
Montgomery, AL	Smoke Partitions	1,239	461	778
Muskogee, OK	Outpatient Addition	10,100	7,901	2,199
North Chicago, IL	Safety & Fire Improvements	6,727	4,026	2,701

FUNDS TRANSFERRED TO WORKING RESERVE - FY 1983

From Projects in Progress with Revised Cost Targets (continued):

Location	Title	Funds Appropriated ($ in 000s)	Current Total Estimated Cost ($ in 000s)	Amount Transferred ($ in 000s)
Palo Alto, CA	Surgical Addn. PAD	23,943	17,521	6,422
St. Albans, NY	Laundry Consolidation	13,400	7,869	5,531
St. Louis(JCD), MO	Clin. Addn./New Amb. Care	45,500	28,406	17,094
San Antonio, TX	Sprinkler & F/S Improv.	5,700	3,911	1,789
Spokane, WA	NHC-60 Beds	6,000	4,713	1,287
Temple, TX	Clinical Expansion	27,600	14,701	12,899
Tuscaloosa, AL	Outpatient Clinic Addition	16,900	9,393	7,507
W. Los Angeles, CA	NHC-120 Beds	6,800	3,925	2,875
Wichita, KS	Renovate B-26	10,400	5,633	4,767
From Projects Financially Complete:				
Albany, NY	Air Oxygen Vacuum System	3,500*	1,888	247
Alexandria, LA	Emergency Generator	992	933	59
American Lake, WA	Renovate Wards B-7	2,031*	1,620	106
Battle Creek, MI	Emergency Gen. & Elec. Improv.	887	857	30
Bedford, MA	Emergency Generator	1,000*	846	61
Brockton, MA	Emergency Gen. & Elec. Improv.	1,081	1,046	35
Buffalo, NY	Outpatient Clinic	6,996*	5,851	59
Chicago, IL	Renova. to Medical Sci. Bldg.	4,327*	4,471	22
Chicago, IL	Electrical Improvements	2,370	1,395	975
Cincinnati, OH	Outpatient Clinic	5,143*	4,457	78
Dayton, OH	200-Bed Domiciliary	7,566	7,251	315
Durham, NC	Electrical Improvements	1,825*	1,389	12
Fayetteville, AR	Air Conditioning	3,253*	3,026	157
Ft. Harrison, MT	Electrical Improvements	1,100*	1,077	35

FUNDS TRANSFERRED TO WORKING RESERVE - FY 1983

From Projects Financially Complete (continued):

Location	Title	Funds Appropriated ($ in 000s)	Current Total Estimated Cost ($ in 000s)	Amount Transferred ($ in 000s)
Fresno, CA	Outpatient Clinic	3,641*	3,659	42
Hines, IL	DPC Building	10,000*	5,566	34
Indianapolis, IN	Air Conditioning	4,143	3,958	185
Jackson, MS	Update Regional Off. Space	5,363*	3,955	1
Knoxville, IA	Emergency Power & Elect. Improv.	1,470*	1,312	86
Lyons, NJ	Emergency Generator	1,000*	1,017	79
Memphis, TN	NHC-120 Beds	5,590	5,562	28
New Orleans, LA	Acquisition of Land	1,800	1,600	200
Northampton, MA	Expand OPC	2,460	2,289	171
Omaha, NE	Two Additional Elevators	1,052	987	65
Reno, NV	New Laundry	2,420	1,627*	56
San Antonio, TX	760-Bed Hospital	46,109	37,088*	15
Sepulveda, CA	NHC-180 Bed Rehab.	7,201	3,393*	134
Sioux Falls, SD	Boilers	2,902	2,217*	144
Waco, TX	Replace Boiler Plant	1,821*	1,577	53
White City, OK	Replace Fire Alarm System	1,010	898*	19

From Cancelled Projects:

Location	Title	Funds Appropriated ($ in 000s)	Current Total Estimated Cost ($ in 000s)	Amount Transferred ($ in 000s)
Battle Creek, MI	Replace Administration Bldg.	222	142	80
Birmingham, AL	Safety & Fire Improvements	2,016	81	1,935
Dayton, OH	Consolidate Kitchen	126	17	109
Hines, IL	New Central Incinerator	2,034	35	1,999
Iowa City, IA	Parking Facility	108	91	17
Livermore, CA	Sewer Connection	1,220	0	1,220
Minneapolis, MN	Boiler	5,307	0	5,307
Minneapolis, MN	Safety & Fire Improvements	1,761	65	1,696

FUNDS TRANSFERRED TO WORKING RESERVE - FY 1983

From Cancelled Projects (continued):

Location	Title	Funds Appropriated ($ in 000s)	Current Total Estimated Cost ($ in 000s)	Amount Transferred ($ in 000s)
Perry Point, MD	New Clinical Admin. Bldg.	1,636	6	1,630
Riverside Mem., CA	Memorial Center	775	13*	34
Salem, VA	Renovate Building 7	56	9	47
Shreveport, LA	Research & Education	1,202	87*	15
	Totals	$757,257	$497,423	$234,764
	Subtotal			$234,764
	Less: Amount Transferred Out in FY 1983			- 3,560
	Total Added During FY 1983			$231,204

*Additional funds transferred to the working reserve prior to FY 1983.

Question: In addition to offsetting the major construction appropriation and funding reprogrammings approved by the Congress, what other uses have been made of working reserve funds?

Answer: On one occasion in FY 1982 funds in the amount of $6,068,000 were provided for General Operating Expenses (GOE).

Question: What controls do you exercise over these funds?

Answer: The Office of Construction budget office records all transfers to and from the working reserve. All transfers are fully justified, and the Administrator must approve all transfers out. Also all transactions are monitored through the Office of Budget and Finance accounting system.

Question: How do you ensure that all "savings" are transferred into the working reserve fund?

Answer: We ensure that all "savings" are transferred into the working reserve fund in two ways. First, any savings on a project from the construction award are transferred to the reserve. Second, after a project is financially complete, any remaining funds are transferred to the reserve, i.e., contingencies that are unneeded.

Question: Who authorizes transfers from the funds?

Answer: The Administrator authorizes transfers from the working reserve.

Question: What statements of the fund's balance are prepared?

Answer: Three statements of the fund's balance are prepared: (1) monthly reports to the Associate Deputy Administrator for Logistics and the Director of Construction; (2) the Top Management Report (TMR) prepared monthly; and (3) the annual budget submission.

DESIGN FUND

Question: In your budget justification, you are requesting $20 million in new budget authority for a design fund.

Section 209 of S. 1388 the "Veteran's Compensation and Program Improvement Amendments of 1984," which was passed by the House and Senate, authorizes the VA to use $25 million from its working reserve fund, with restrictions, to undertake working drawings for construction projects before they are approved or funded by Congress.

Are these two actions duplicative?

Answer: No, the FY 1984 Design Fund ($25 million) is to design FY 1985 construction projects. The FY 1985 Design Fund ($20 million) is to design FY 1986 construction projects.

Question: If both are approved, will you fund $45 million of final design work?

Answer: Yes, if both are approved we will fund $45 million of final design work.

Question: Would you please provide, for the record, a listing of the projects whose final design work will be funded by the design fund?

Answer: The following list shows the FY 1985 projects whose final design work would be funded from the FY 1984 Compensation Bill (the FY 1984 design fund).

FY 1984 DESIGN FUND PROJECTS

Albany, New York	Modify Wards
Alexandria, Louisiana	Clinical Improvements
*Alexandria, Louisiana	120-Bed Nursing Home Care Unit
Amarillo, Texas	Addition and Renovation of Clinical Support
*American Lake, Washington	Laundry Replacement
Big Spring, Texas	Electrical Distribution System
Boise, Idaho	Geothermal Conversion
Boston, Massachusetts	Fire and Safety Improvements: Sprinklers
Brockton, Massachusetts	Renovate Building 8 for Patient Privacy, Fire and Safety, and Seismic
Brockton (West Roxbury), Massachusetts	Outpatient Addition, Research and Education, Administration
Buffalo, New York	Research Building and Clinical Expansion
Cheyenne, Wyoming	Expand and Renovate Building 1 for Clinical Functions
*Chillicothe, Ohio	Renovate Building 1 (Modernization Phase III)
Clarksburg, West Virginia	Clinical Addition and Alterations
Coatesville, Pennsylvania	Fire and Safety Improvements
Dallas, Texas	Upgrade Primary Electrical Distribution System
Danville, Illinois	Renovate Building 14 for Administration
Durham, North Carolina	Clinical Addition
Durham, North Carolina	120-Bed Nursing Home Care Unit, Research, Administration and Geriatric Research, Education and Clinical Center
Fresno, California	Clinical Addition
Grand Island, Nebraska	Fire and Safety Improvements, Air Conditioning, Patient Privacy, and Support Systems
Grand Junction, Colorado	Outpatient and Clinical Addition
Hampton, Virginia	Fire and Safety Improvements
Hines, Illinois	40-Bed Long Term Spinal Cord Injury Building
Iowa City, Iowa	Ambulatory Care and Clinical Addition

Senator Garn—Continued

FY 1984 DESIGN FUND PROJECTS (CONTINUED)

Lexington (Cooper Drive), Kentucky	Clinical Addition
Long Beach, California	160-Bed Spinal Cord Injury Unit and Spinal Cord Injury Outpatient Clinic
Long Beach, California	Construct Supply Warehouse
Louisville, Kentucky	Clinical and Education Addition
Lyons, New Jersey	Renovate Building 4 for Intermediate Care
Lyons, New Jersey	Fire and Safety Improvements
Marion, Illinois	Seismic Corrections
Murfreesboro, Tennessee	120-Bed Nursing Home Care Unit
Omaha, Nebraska	Electrical, Fire and Safety Corrections
Palo Alto (Palo Alto Division), California	Spinal Cord Injury Addition
Pittsburgh (Highland Drive), Pennsylvania	Fire and Smoke Detectors, Modernize HVAC, Secondary Electrical System
Prescott, Arizona	120-Bed Nursing Home Care Unit
Providence, Rhode Island	60-Bed Nursing Home Care Unit
San Francisco, California	120-Bed Nursing Home Care Unit and Parking Garage (second two parking decks)
San Juan, Puerto Rico	120-Bed Nursing Home Care Unit and 10-Bed Blind Rehabilitation Center
Sheridan, Wyoming	Outpatient Clinic Addition
*Shreveport, Louisiana	Ambulatory Care Addition and Linear Accelerator
*Shreveport, Louisiana	Upgrade Primary Distribution System and Elevators
St. Louis (Jefferson Barracks), Missouri	Laundry Replacement
*Tampa, Florida	Radiation Therapy
Topeka, Kansas	Electrical Corrections, Primary and Secondary
West Los Angeles, California	117-Bed Nursing Home Care Conversion
West Los Angeles, California	Renovate Building for Domiciliary

* Projects to be designed by the Office of Construction

Project listings for the FY 1985 design fund will be submitted quarterly beginning in September 1984.

MAJOR CONSTRUCTION ACCOUNT: CHANGE IN APPROPRIATION LANGUAGE

Question: The language you have proposed for the major construction account (in Vol. III, p. 13-1) is a little confusing. Last year, the final proviso in this account restricted you from obligating funds from other accounts for the construction or alteration of a major project until one year after the final acceptance of the project. This year you propose changing that proviso to prevent alteration of a major project until one year after "substantial completion and beneficial occupancy by the Veterans Administration of the project or any part thereof with respect to that part only." Then you propose to repeal the "final proviso under this heading" in the FY 84 Appropriations Act. As I read it, you are proposing to repeal what you are also proposing to amend. Are you proposing to repeal or amend that proviso? Why have you proposed the new language? What time difference is there between "substantial completion" of a project and "final acceptance" of the project? Please provide a few examples for the record.

Answer: We are proposing to repeal the 1984 language and to change the language for 1985 and subsequent years. The reason for the proposal is to ensure that we do not have two differing legal standards applicable to the construction process which is a multi-year program. Without this change, it would be possible for projects in FY 1984 to be subject to different standards concerning the one-year rule than projects in subsequent years.

Substantial completion occurs when the project is suitable for its intended use. It is evidenced by a custody receipt between the contractor and the VA. Substantial completion is an established legal concept, the occurrence of which transfers legal responsibility from the contractor to the agency. Beneficial occupancy occurs when the agency begins to use or occupy the project; it is usually evidenced by a transfer receipt between O/C and the department. Final acceptance limits expenditure of funds until final settlement of the project. Because of such items as claims or remaining punch list items, final acceptance may not take place until several years after the agency's actual use of the facility.

The difference in time between substantial completion and beneficial occupancy and final acceptance would vary depending on the nature of the circumstances between the agency and the contractor.

Some examples which demonstrate the difference in time between "final acceptance and "substantial completion" are as follows:

PROJECT/LOCATION TITLE/PROJ. NO.	DATE OF CUSTODY *	DATE OF TRANSFER *	DATE OF FINAL SETTLEMENT**
Brockton, MA Emergency Generators Electrical Deficiencies 525-017	9/23/81	9/23/81	5/28/82
Indiantown Gap. Nat. Cemetery Annville, PA Develop 20 Acres/ Construct Admin. & Service Bldgs./Ph I 787-347-001B	7/30/82	7/30/82	7/18/83
Knoxville, Iowa Correction of Safety and Fire Deficiencies 529-059	6/04/82 12/02/82	6/04/82 12/02/82	4/18/83
No. Little Rock, Arkansas Modernization Site Work & New Construction/Ph. II 598-016F	04/22/82 06/14/83	04/22/82 06/14/83	11/30/83

*If more than one Custody and Transfer Receipt for project dates given for the first and last receipt.

**Indicates the date contractor signed the Release of Claims.

ACCURACY OF CONSTRUCTION ESTIMATES

Question: How accurate are your construction estimates for FY 1985? Please consider both the time and cost factors here.

Answer: Estimates are as accurate as they can be based on the available information at the time of preparation which includes completed preliminary plans and unknowns such as market conditions and actual rates of inflation that will impact the outcome.

Question: I notice that the FY 1985 request for Allen Park is $8 million with an additional $224 million indicated for FY 1986 and beyond.

Since the completion of preliminary plans is not scheduled until March 1986, how accurate can your current estimates be?

Answer: Since the estimate for Allen Park is not based on preliminary plans, a lower degree of accuracy in the $224 million cited can be anticipated. However, it should be noted that the VA is only requesting site preparation and related costs this year and expect to have preliminary design completed before we request construction funds for the Allen Park project.

Question: What types of hedges do you build into the process to accommodate changes in cost?

Answer: We do not build any hedges into our estimates. However, we do include funds for contingencies, inflation and impact costs.

Question: Would you please compare, for a recent three year period, where you have some final information, the time anticipated for all the projects in design and construction versus the time actually taken?

Question: Would you please also compare the initial pre-design cost estimate with final construction cost estimates for each major construction project over the last five years?

Answer: The following tables will compare time anticipated versus time actually taken (number of months) for the three year period (FY 1981 through FY 1983) and initial cost versus final cost for the five year period (FY 1979 through FY 1983). These projects are reported physically completed in the respective VA Annual Report for FY 1979 through FY 1983.

FY 1979

LOCATION	DESCRIPTION	($ IN THOUSANDS) ORIGINAL COST	FINAL COST
Canandaigua, New York	New Engineering Shops	$1,347	$1,347
Cincinnati, Ohio	Outpatient Clinic Expansion/Addition	5,143	4,535
Dallas, Texas	Research and Education Addition	6,126	5,200
Hampton, Virginia	Mod. & A/C Basement & Nurs. Home	7,577	8,889
Iowa City, Iowa	Replace Boiler Plant	2,727	2,288
Jackson, Mississippi	Research and Education Addition	6,952	6,336
Lexington, Kentucky	Air Conditioning	8,232	7,580
Lincoln, Nebraska	Air Conditioning	3,137	3,600
Long Beach, California	Outpatient Clinic Expansion	9,231	6,443
Madison, Wisconsin	New Wing Addition	14,000	11,955
Northampton, Massachusetts	Outpatient Clinic	2,460	2,460
Palo Alto (MPD), California	Nursing Home Care Unit	5,675	5,400
Poplar Bluff, Missouri	Air Condition Building	4,636	4,450
Riverside Nat'l. Cemetery, CA	Phase 1 Development	4,447	5,238
Salem, Virginia	Ren. Bldg 77 for Intermed. Care	1,500	1,383
Salem, Virginia	Air Condition Building 77	6,888	5,540
Salt Lake City, Utah	Seismic Correction	5,188	6,414
Sepulveda, California	Air Conditioning	9,803	12,631
Tomah, Wisconsin	Update Elec. Distribution System	2,589	2,144

FY 1980

LOCATION	DESCRIPTION	($ IN THOUSANDS) ORIGINAL COST	FINAL COST
Augusta, Georgia	Replacement Hospital	$57,460	$43,200
Biloxi (BD), Mississippi	Emerg. Generator & Elec. Def.	1,696	866
Buffalo, New York	Outpatient Clinic Expansion	6,996	5,734
Chicago (Lakeside), Ill.	Remodel Surgical Area	2,863	2,014
Chillicothe, Ohio	Modernization of Bldg. 7, 26 & 27	6,508	6,508
Columbia, South Carolina	New Bed Building - Modernization	45,000	26,500
Columbia, South Carolina	120-Bed Nursing Home Care Unit	4,927	4,044
Durham, North Carolina	Electrical Deficiencies	1,825	1,401
Hampton, Virginia	Nursing Home Care Unit	4,955	4,955
Indianapolis, Indiana	Air Conditioning	4,143	4,143
Indianapolis, Indiana	Emerg. Generator & Elec. Def.	1,400	1,400
Lebanon, Pennsylvania	Air Conditioning System	9,365	8,065
Long Beach, California	Emergency Generator	1,400	1,510
Marion, Indiana	Correct Elec. Deficiencies	1,738	1,641
Muskogee, Oklahoma	Upgrade Electrical System	1,739	864
Providence, Rhode Island	OPC/Admission Consolidation	3,527	3,454
Roseburg, Oregon	Emergency Generator	1,000	1,090
Salem, Virginia	New Clinical Building	3,602	2,961
Salt Lake City, Utah	Seismic Building 1 and 5	4,259	6,414
Waco, Texas	Boiler Plant Replacement	1,821	1,568

FY 1981

LOCATION	DESCRIPTION	($ IN THOUSANDS) ORIGINAL COST	($ IN THOUSANDS) FINAL COST	(NUMBER OF MONTHS) ANTICIPATED TIME	(NUMBER OF MONTHS) ACTUAL TIME
Albany, New York	Emerg. Generator and Electrical	$1,100	$880	33	42
Augusta (LD), Georgia	Dining & Food Prep. Facility	3,271	3,175	26	46
Augusta (LD), Georgia	New Boiler & Steam Distribution	3,779	2,980	33	55
Batavia, New York	Electrical Deficiencies	1,000	1,048	33	38
Cheyenne, Wyoming	Emerg. Generator & Elec. Def.	1,100	1,100	34	36
Chicago (Lakeside), Ill.	Renovate Med. Sci. Building	4,327	4,493	22	25
Dayton, Ohio	Clinical Addition	10,903	10,380	44	55
Dayton, Ohio	200-Bed Domiciliary	7,566	7,565	30	48
East Orange, New Jersey	Emerg. Gen., Correct Elec. Def.	2,874	2,204	41	71
Fayetteville, North Carolina	Air Conditioning	3,253	3,183	38	73
Fresno, California	Outpatient Clinic	3,396	3,701	31	40
Ft. Harrison, Montana	Electrical Deficiencies	1,100	1,112	24	31
Gainesville, Florida	120-Bed Nursing Home Care Unit	4,690	5,290	31	58
Indianapolis (TSD), Ind.	Clinical Improve. & Education	11,345	10,848	36	47
Jackson, Mississippi	Update Reg. Office Space for OPC	5,363	3,850	32	37
Knoxville, Iowa	Emerg. Gen. & Elec. Deficiencies	1,470	1,398	34	40
Lebanon, Pennsylvania	Emergency Generator	1,100	1,100	31	36
Livermore, California	120-Bed Nursing Home Care Unit	6,866	7,193	37	38
Lyons, New Jersey	Emergency Generator	1,000	1,096	34	41
Massachusetts Nat'l. Cem.	Dev. 20 Acres/Const. Adm. & Svc.	2,250	3,517	24	48
Memphis, Tennessee	120-Bed Nursing Home Care Unit	5,590	5,590	39	52
Miami, Florida	120-Bed Nursing Home Care Unit	5,386	5,199	33	45
Muskogee, Oklahoma	Relocate Rehabilitation Medical	1,050	993	21	36
North Chicago, Illinois	Electrical Distribution	2,715	2,962	38	52
Palo Alto, California	Emerg. Gen. & Update Power Supply	2,121	1,696	34	42
Palo Alto, California	Update Electrical Power Supply	1,679	1,208	26	34
Perry Point, Maryland	80-Bed Nursing Home Care Unit	2,965	2,747	38	47
Perry Point, Maryland	Correction of Elec. Deficiencies	1,945	1,660	31	61
Perry Point, Maryland	Air Conditioning	11,930	9,618	31	61

FY 1981 (CONTINUED)

LOCATION	DESCRIPTION	($ IN THOUSANDS) ORIGINAL COST	($ IN THOUSANDS) FINAL COST	(NUMBER OF MONTHS) ANTICIPATED TIME	(NUMBER OF MONTHS) ACTUAL TIME
Reno, Nevada	Clinical Add., Utility Improve.	13,444	13,444	35	53
Salem, Virginia	Emergency Electrical Power	1,878	1,684	32	41
Temple, Texas	120-Bed Nursing Home Care Unit	5,050	4,237	44	41
Waco, Texas	Emerg. Generator & Electrical	1,000	747	31	42
Walla Walla, Washington	Primary Dist. & 2nd Generator	1,140	557	32	31
White River Junct., Vermont	Ambulatory Care Addition	4,363	3,780	33	46
Willamette Nat'l. Cem., OR	20 Acre Development & Service	1,506	1,606	28	62
Wood, Wisconsin	Emerg. Gen., Elec. Deficiencies	1,400	1,400	22	29

FY 1982

LOCATION	DESCRIPTION	($ IN THOUSANDS) ORIGINAL COST	($ IN THOUSANDS) FINAL COST	(NUMBER OF MONTHS) ANTICIPATED TIME	(NUMBER OF MONTHS) ACTUAL TIME
Albany, New York	Air, Oxygen Vacuum System	$3,500	$2,135	38	40
American Lake, Washington	Renovate Wards B-7	2,031	1,620	30	25
Atlanta, Georgia	120-Bed Nursing Home Care Unit	7,144	7,894	34	53
Biloxi (BD), Mississippi	Renovation of Building 2	6,000	5,000	22	28
Birmingham, Alabama	Blind & Low Vision Center	4,714	4,771	42	41
Boise, Idaho	Renovate Wards 2 and 4	2,361	2,228	37	31
Calverton Nat'l. Cemetery, NY	Develop 50 Acres	3,344	3,477	30	50
Castle Point, New York	Central A/C & Upgrade Primary	7,405	8,665	41	46
Chicago (Lakeside), Ill.	Correction of Elec. Def.	2,370	2,370	28	64
Dallas, Texas	Ambulatory Care Add. & Ren.	6,904	6,904	34	37
Fayetteville, North Carolina	Renovate Building 4	1,606	1,139	36	29
Ft. Logan Nat'l. Cem., CO	Develop 35 Acres	2,260	2,260	29	47
Grand Island, Nebraska	Emerg. Gen. & Elec. Def.	1,500	1,214	29	50
Hines, Illinois	120-Bed Nursing Home Care Unit	8,550	8,550	41	68
Houston, Texas	Research & Education Building	6,587	5,162	38	61
Huntington, West Virginia	Addition to Building 1	7,111	7,097	37	68
Indiantown Gap Nat'l. Cem., PA	Develop 20 Acres/Const. Admin.	4,250	3,360	31	36
Iowa City, Iowa	Remodel 9th Floor Wards	1,352	1,352	20	27
Jefferson Barracks Nat. Cem., MO	Develop 40 Acres	1,944	775	20	20
Knoxville, Iowa	Air Conditioning & Ward Renov.	11,277	10,700	42	71
Lebanon, Pennsylvania	Safety and Fire Improvements	1,574	1,031	28	52
Livermore, California	Remodel 5th Floor Wards	1,864	1,864	24	27
Louisville, Kentucky	Renovate OR Rooms	1,693	1,819	34	38
Madison, Wisconsin	2nd Emerg. Dist. & Generator	1,785	1,785	24	31
Miami, Florida	Relocate SICU	1,726	1,457	32	24
Murfreesboro, Tennessee	Remodel Ward 5a and 5b	3,248	1,682	31	26
Nashville, Tennessee	Ambulatory Care, Res. & Educ.	11,900	11,900	38	57
Nat'l. Mem. Cem. of Pacific Honolulu, HI	Columbarium on Crater Rim	3,250	1,964	22	66

FY 1982 (CONTINUED)

		($ IN THOUSANDS)		(NUMBER OF MONTHS)	
LOCATION	DESCRIPTION	ORIGINAL COST	FINAL COST	ANTICIPATED TIME	ACTUAL TIME
Riverside Nat'l. Cemetery, CA	Develop 45 Acres	2,425	2,620	44	48
Salt Lake City, Utah	Clinic & Ambulatory Care Add.	21,473	21,718	38	49
Sioux Falls, South Dakota	New Boiler Plant	2,902	2,361	28	43
St. Albans, New York	Modern. - Outpatient Clinic	6,000	6,000	74	91
Syracuse, New York	Correction of Elec. Def.	1,416	1,288	17	36
Togus, Maine	Safety and Fire Improvements	1,907	890	30	23
Tuskegee, Alabama	Ambulatory Care Addition	4,350	3,579	21	32
Wilkes Barre, Pennsylvania	120-Bed Nursing Home Care Unit	5,764	6,010	44	55
Wood, Wisconsin	8' Water Line/Bldgs 112E & 111	1,334	1,220	21	23

FY 1983

		($ IN THOUSANDS)		(NUMBER OF MONTHS)	
LOCATION	DESCRIPTION	ORIGINAL COST	FINAL COST	ANTICIPATED TIME	ACTUAL TIME
Albany, New York	Update Primary Distribution	$2,039	$1,719	42	41
Albany, New York	Radiation Therapy	2,313	1,663	34	33
Allen Park, Michigan	Expand/Renovate Laboratory	1,416	1,416	22	44
Amarillo, Texas	Cen. A/C, Pat. Priv./Deadend Strs	6,139	4,619	48	34
Atlanta, Georgia	Ambulatory Care Addition	8,361	8,361	35	47
Atlanta, Georgia	Warehouse & Engineering Office	1,950	1,831	38	62
Augusta, Georgia	Safety and Fire Improvements	1,108	869	30	51
Bath, New York	Ambulatory Care Add., Bldg. 76	4,400	2,912	36	45
Battle Creek, Michigan	Fire and Safety Improvements	1,347	1,245	40	36
Calverton Nat'l. Cemetery, NY	Admin. Bldg. & Committal Service	2,496	2,746	22	54
Canandaigua, New York	Safety and Fire Improvements	10,426	8,338	32	37
Castle Point, New York	Relocate & Replace Boiler Plant	2,800	2,224	50	43
Charleston, South Carolina	Correction of Seismic Def.	11,424	10,254	37	55
Cincinnati, Ohio	Remodel/Expand Canteen	1,161	1,139	28	34
Coatesville, Pennsylvania	Air Conditioning	16,887	16,043	50	65
Columbia, South Carolina	Renovate Bldg 22 (Admin.)	2,111	1,578	28	32
Dallas, Texas	Fire Sprinklers, Building 1	1,186	679	6	57
Des Moines, Iowa	Ambulatory Care Add. & Renov.	4,300	3,450	36	39
Hampton, Virginia	Spinal Cord Injury Unit	5,150	1,929	28	39
Knoxville, Iowa	Safety and Fire Improvements	1,245	931	16	27
Lake City, Florida	Renovate SPD	1,201	879	21	32
Martinez, California	Education Building	2,300	2,111	18	42
Massachusetts Nat'l. Cem.	Develop 32 Acres	2,564	2,169	28	30
Miami, Florida	Research & Educ. Bldg. & Psych.	11,597	11,597	34	45
Murfreesboro, Tennessee	Safety and Fire Improvements	3,168	1,599	37	32
Murfreesboro, Tennessee	Renovate Wards 6a and 6b	3,750	1,524	31	35
New York, New York	Safety and Fire Improvements	5,878	5,280	41	41
Northport, New York	Safety and Fire Improvements	3,900	1,800	36	45
Palo Alto (PAD), Calif.	Two Additional Elevators	1,429	1,544	40	34

FY 1983 (CONTINUED)

		($ IN THOUSANDS)		(NUMBER OF MONTHS)	
LOCATION	DESCRIPTION	ORIGINAL COST	FINAL COST	ANTICIPATED TIME	ACTUAL TIME
Quantico Nat'l. Cemetery, VA	Dev. 31,400 Graves, Admin., & Svc.	8,188	5,767	31	44
Reno, Nevada	60-Bed Nursing Home Care Unit	5,100	5,042	28	39
Salisbury, North Carolina	Deadend Corridor Strs, Bldgs. 2-4	1,492	588	20	49
Shreveport, Louisiana	Safety and Fire Improvements	1,158	943	29	34
Sioux Falls, South Dakota	Regional Office Building	2,700	1,606	31	25
St. Louis (JBD), Missouri	Relocate Admin. to Building 18	1,462	1,249	32	31
Tuscaloosa, Alabama	Safety and Fire Improvements	2,132	1,800	24	80
Tuskegee, Alabama	Primary Dist. & 2nd Dist. System	2,224	2,219	32	42
Washington, D. C.	Outpatient Clinic Renov.	4,225	4,465	36	53
West Los Angeles, Calif.	Remodel Building 209, Psych.	2,614	2,381	37	27
White City, Oregon	Renovate/Consolidate RMS	1,723	1,334	29	34
Wilkes Barre, Pennsylvania	Three Additional Elevators	2,550	2,120	33	49
Wood, Wisconsin	Relocate Nuclear Medicine	1,700	1,163	34	51
Wood, Wisconsin	Renov. Bldg 7C, Animal Quarters	1,900	2,075	31	41

NOTE: In calculating the time schedule milestones were used. The start for both the anticipated and actual time is the month and year of the working drawing award established during preliminary development of the project and approved by the Administrator. Thus, the same start date is used regardless of when the working drawings contract was actually awarded. The end date used in determining the anticipated time was the original physical completion date also established during the preliminary development. The actual physical completion date was used as the end date in calculating the actual time taken.

AGENT ORANGE

(The responses to these questions were provided by the Centers for Disease Control)

The budget justification indicates a request of $8,650,000 for transfer to the Centers for Disease Control (CDC) for the conduct of the Agent Orange Epidemiology Study.

Prior meetings with CDC and the Subcommittee established that the award of the contract(s) would not be until the latter part of FY 84. Apparently the CDC is changing the study protocol and the contract award will slip even further.

CDC, prior to its contract award, should not be spending at a prodigious rate.

Question: With this in mind, please explain why any additional funds are required for the study in FY 85?

Answer: The CDC has not revised its plan for the Agent Orange Study as outlined in the protocol. The projected dates for the award of contracts have changed from the earlier schedule. Some projections for contract awards have been accelerated, all but the Agent Orange Medical Examinations Contract will be awarded before the end of FY 1984. The contract for the medical examinations is now scheduled for award in February 1985. CDC has required additional time to fully define the clinical examinations and testing methods necessary to support an epidemiologic study. Following is a breakdown by fiscal year, estimated cost, and award date for these contracts.

Estimated Cost and Award Dates
for Contracts

FY 1984	Estimated	
Contract Title	Cost $ (000)	Award Date
Selected Cancers Random Digit Dialing	900	7/84
Selected Cancers Case/Control Interviewing	2,400	7/84
Agent Orange Health Questionnaire	15,000	8/84
Selected Cancers Histology Review	600	9/84
Total	18,900	
FY 1985		
Agent Orange Medical Examinations	37,500	2/85

A significant amount of work must be done by CDC staff to be prepared to provide contractors with information about prospective study participants and to be prepared to analyze the information resulting from the contractors efforts. This work is moving forward according to schedule and is not a factor in the changes in the proposed dates for the awarding of contracts.

Question: Would you please ask CDC to provide details for the record of the expenditures, by object class, to date and estimates for the remainder of FY 84 and for FY 85?

Answer: Attached is a chart containing the details by object class of CDC's obligations through March 5, 1984; estimates of obligations for expenditures for the remainder of FY 1984; and the proposed budget for FY 1985. At the end of FY 1984, we estimate that $31,922,100 will remain from the total CDC allocation of $53,974,000. This unobligated balance will be carried forward in object class 25 Other Services (contracts) into FY 1985. This total along with the $5,000,000 requested for FY 1985 in object class 25 is needed to support the Agent Orange Medical Examinations contract currently estimated to cost $37,500,000. These estimates and projections show a short fall in object class 25 of $577,900 in FY 1985. However, since contracts have not been finalized at this time and all contract costs are based on estimates, CDC has chosen not to request additional funds for FY 1985 at this time.

The remaining $3,650,000 of the requested $8,650,000 for FY 1985 (the $8,650,000 minus the $5,000,000 object class 25) is requested to support personnel services, travel, transportation of things, supplies, equipment and other support services for the Agent Orange Epidemiologic Study.

Agent Orange Epidemiologic Study

Estimated Expenditures by Object Class

FY 1984 and FY 1985

		FY 1984						
Object Class		Obligated 10/1/83 - 3/5/84	Projected Obligations 3/6/84 - 9/30/84	Projected Total	Budgeted	Carryover (Difference)	FY 1985 Requested Budget	FY 1985 Budget Including Carryover
10	Personnel Services	$467,500	$2,182,800	$2,650,300	$3,000,000	$349,700	$3,150,000	$3,150,000
21	Travel/Trans Persons	17,800	124,400	142,200	360,000	217,800	335,000	335,000
22	Transport Things	4,900	25,100	30,000	30,000	-0-	30,000	30,000
23	Communications/ Utilities	-0-	50,000	50,000	50,000	-0-	60,000	60,000
24	Printing/ Reproduction	2,100	22,900	25,000	25,000	-0-	50,000	50,000
25	Other Services (Contracts)	16,100	18,972,000	18,988,100	50,474,000	31,485,900	5,000,000	36,922,100
26	Supplies	4,000	19,100	23,100	10,000	-13,100	10,000	10,000
31	Equipment	17,300	125,900	143,200	25,000	-118,200	15,000	15,000
	Total	$529,700	$21,522,200	$22,051,900	$53,974,000	$31,922,100	$8,650,000	$40,572,100

Senator Garn—Continued

STATE HOMES

Last year's testimony indicated that priorities for State home construction projects had traditionally been set by awarding grants in the order in which applications were received. It was also indicated that based upon a GAO recommendation the priority list would be reviewed for any projects that warrant a higher priority to meet VA programmatic needs as identified by MEDIPP.

Question: In what way has MEDIPP provided you with the kind of information necessary to improve the old method of setting priorities?

Answer: A Task Force established to identify an improved process for State home construction funding concluded: (1) that bed producing projects could be prioritized based on need as determined by MEDIPP; (2) life safety projects could be prioritized by evaluating deficiencies and their potential hazard; and (3) patient environment and other projects could be prioritized by considering age and condition of facilities, and number of beds involved.

Question: Have you changed your method of setting priorities?

Answer: The Task Force also concluded that to fully integrate the Grants Program with plans for VA and VA supported community care, the current policy of awarding grants in the order received based on the needs of veterans as determined by the States would have to be changed to a priority determination based on the needs as determined by the VA.

The General Counsel has provided an opinion that changing current policy would require Congressional action. After considering the advantages and disadvantages of whether to propose legislation to change policy and method of determining need or to maintain current policy according to existing law, the Chief Medical Director approved the second option.

Question: How many applications did you fund in FY 83 and how many do you expect to fund in FY 84 and FY 85?

Answer: During Fiscal Year 1983, five grants were awarded. To date no grants have been awarded in Fiscal Year 1984 but ten are expected to be awarded before the end of the year. Assuming an appropriation of $34.5 million, nine grants are expected to be awarded in Fiscal Year 1985.

Question: About what percent of eligible applications will this fund?

Answer: Currently there are 48 preapplications on hand for a total of $122,947,000. If the 19 grants are awarded, 10 in 1984 and 9 in 1985, the unfunded balance will be reduced by approximately 46 percent.

Senator Garn—Continued

Question: How much would be needed to fund all eligible applications?

Answer: At the end of Fiscal Year 1984 there will be 38 unfunded projects requiring a total of $84 million for which pre-applications have been received, 13 as early as Fiscal Year 1981. An appropriation of $34.5 million in Fiscal Year 1985 will provide 41 percent of the funds required to approve grants for these projects leaving an unfunded balance of $49.5 million.

CORONARY BYPASS SURGERY

Question: A $24 million National Heart Institute Study conducted at 10 American centers including the Milwaukee Veterans Hospital reported in 1983 that some 25,000 coronary bypass operations for patients with mild angina or angina free patients could be eliminated each year without endangering patients.

A more recent VA news release indicates that cardiologists at the Ann Arbor, Michigan VA Medical Center and the University of Michigan Medical School have developed a new diagnostic technique (angioplasty) that is less costly and less traumatic than bypass surgery.

How does the VA incorporate such new medical technology into its construction planning process so that the system does not provide over capacity for coronary bypass surgery?

Answer: Angioplasty is a technique used to treat only a small percentage of patients who otherwise would have cardiac surgery. This technique is used for minimally involved coronary artery narrowing. At the present time, there is no indication that this procedure will decrease the need for cardiac bypass surgery. In fact, it is allowed to be done only in locations that have cardiac surgery capabilities since surgery is the only method of treating complications of angioplasty.

New technology, such as angioplasty, is considered in the construction planning process when experience and documentation indicate that the new technology supplants an old one. At the present time, there is an under capacity for coronary bypass surgery as indicated by long waiting lists in most programs. Should the day come when decreased need becomes evident by decreasing volume of cases, closure of programs and consolidation in fewer centers will be effected.

VA NURSING SHORTAGE

Question: In the past, you have testified that the VA had a shortage of slightly over 1,000 nurses, and that nationwide there was a shortage of as much as 100,000 nurses. What is the present situation?

Answer: Except for some speciality areas, the Veterans Administration is not currently having difficulty recruiting registered nurses. It is difficult recruiting licensed practical/vocational nurses. Nationally there is no shortage of generalist RNs. However, if the economy were to improve, past shortages in some clinical settings could re-occur.

Question: What is the present ratio of RNs to LPNs at VA facilities?

Answer: There are 29,760 RNs and 8,813 LPNs for a ratio of approximately 2.8 to 1.

Question: How does this compare to private facilities?

Answer: Survey data of 1980 revealed that there are approximately 875,000 RNs working in hospitals and 85,769 LPNs for a ratio of approximately 10 to 1.

Question: What is the present salary difference between an RN and LPN?

Answer: The salary difference is $8,634 per annum.

Question: What is the national average salaries for non-VA RNs and LPNs?

Answer: Survey data of 1980 revealed that the national average salaries of non-VA RNs was $17,393 per annum. Average salaries for non-VA LPNs are not available. Average salaries for 1984 are not available.

Question: What is the VA-wide salaries for RNs and LPNs?

Answer: The current (1984) average salary for an RN is $24,315 and $15,681 for an LPN. These salaries reflect the special salary rates at a hundred facilities to recruit and retain RNs and LPNs.

Question: How do the benefit packages differ between VA and non-VA nurses?

Answer: In general, VA nurses receive more annual leave and sick leave than nurses in the private sector. Until the recent change, VA retirement benefits were perceived as being better than the private sector. Non-VA nurses are accustomed to receiving hospital and life insurance fully paid by the employer and tuition reimbursement is available to nurses in most non-VA hosptials.

HOSPITAL CARE FOR NON-SERVICE-CONNECTED VETERANS

Question: What was the cost to VA's FY '83 medical budget for nonservice-connected medical care provided to veterans (excluding military retirees) aged 65 and over?

Senator Garn—Continued

Answer: The total 1983 medical care obligation was $7.8 billion dollars. The analysis below excludes obligations for CHAMPVA, Education and training and miscellaneous benefits and services. The assumption is also made that veterans receiving compensation and pension in the group of mandated workload. Figures are for nonservice-connected with no pension.

Class of Care	Obligations
Hospitals	
VA Hospitals	$1,638,796,753
Contract Hospitals 1/	52,968,500
State Home Hospitals	996,960
Nursing Homes	
VA Nursing Homes	57,293,921
Community Nursing Homes	32,225,912
State Nursing Homes	7,103,809
Domiciliaries	
VA Domiciliaries	4,541,258
State Domiciliaries	2,049,216
Outpatient Care (Staff and Fee)	146,494,656
Total - Obligated for 65 years old and older	$1,942,470,985

1/ Estimated at 50% over 65 years of age.

Question: What was the cost associated with the medical care provided to all nonservice-connected patients during FY 1983?

Answer: The assumptions and exclusions for the following data are the same as those for the answer above on care delivered to nonservice-connected veterans 65 years and over.

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Class of Care	Obligations
Hospitals	
VA Hospitals	$2,818,276,769
Contract Hospitals [2]	68,859,050
State Home Hospitals	1,636,944
Nursing Homes	
VA Nursing Homes	94,429,972
Community Nursing Homes	56,298,280
State Nursing Homes	10,578,161
Domiciliaries	
VA Domiciliaries	36,922,402
State Domiciliaries	6,252,736
Outpatient Care (Staff and Fee)	782,830,818
Total	3,876,085,132

2/ Estimated at 65% because of 65 and over and special eligibilities for non-contiguous states.

Question: If this caseload was shifted to Medicare and related programs, would this result in a significant cost reduction to the Federal Government?

Answer: There would be no overall savings to the government if the nonservice-connected workload was shifted to Medicare or other related programs. There would be cost shifts to Medicaid, State hospital programs and to private health insurers.

There have already been 300 cost containment bills passed by states in the last year. The move of veteran patients to this level would seriously compound health care delivery to medically needy women and children. States do not now have funds to cover all State home costs. Medicare does not pay full charges for care. It covers about 68.7% charges for all Medicare patients and 68.8 of charges for sixty-five-year-olds and over; only 78% of physician bills are covered. This indicates the need for supplementary medical insurance, and because of length of care, there would be increased premimum costs to all purchasers of health care. The elderly and medically needy are especially confused and puzzled about how much supplementary insurance to buy. There will not only be an increase in premiums but the elderly and medically needy can be expected to divert purchasing power from other basic necessities to cover feared health care expenses.

Question: Please list the number and percent of nonservice-connected visits and bed days of care for each medical specialty for the most recent 12-month period for which you have data.

Answer: The following data are for fiscal year 1983 medical center discharges. They exclude over 235,000 end stage renal cases and residents stipends. As stated elsewhere, detailed information is not available for ambulatory care (outpatient) for fiscal year 1983.

	Discharges Nonservice-Connected		Bed Days of Care	
Bed Section	Number	Percent	Number	Percent
Medicine	233,954	47.5%	3,576,735	46.9%
Surgery	155,703	48.3	2,226,820	48.2
Psychiatry	84,265	52.3	2,924,708	49.7

Nonservice-Connected patients were 48.5% of all discharges and used 48.2% of all bed days of care.

BENEFICIARY TRAVEL

Question: How much have you included in your FY 85 request for beneficiary travel payments?

Answer: The 1985 request for beneficiary travel payments is $96,513,000.

Question: The FY 84 level of beneficiary travel request was 7% above the FY 83 level. How does the FY 85 request compare to FY 84?

Answer: The 1985 beneficiary travel request is 6.8% higher than the 1984 level.

READJUSTMENT COUNSELING PROGRAM

Question: What is the level of funding that is proposed for the readjustment counseling program for FY 85?

How many vet centers will this support?

What portion of these funds will be for fee-for-service readjustment counseling for those veterans who cannot receive this counseling through vet centers?

Please provide a comparison of the number of FTEE, intramural and contract funds and number of centers for FY 82 through 85.

Answer: The following chart displays the resources appropriated and spent, FTEE and number of Vet. Centers in the Readjustment Counseling program: (dollars in millions)

	1982	1983	1984 Est.	1985 Est.
Intramural (Vet Centers):				
Appropriated	$20.2	$20.4	$21.0	1/
Spent	$18.1	$19.5	$21.0	
FTEE	376	552	574	
No. of Centers	135	135	136	
Contract Program (Fee-for-service):				
Appropriated	$11.2	$11.2	$11.2	1/
Spent	$ 1.0	$ 6.1	$ 4.0 2/	

1/ Future expansion plans for the Readjustment Counseling program, as of this date, have not been finalized. One area currently being addressed is the expansion of the Vet Center program funded by a realignment of resources from the contract (fee-for-service) program. This would ultimately redistribute the level of resources within the total Readjustment Counseling program and require additional FTEE ceiling. Congress will be fully informed concerning our plans and required realignment of resources.

2/ Estimated obligations through the second quarter, FY 1984.

COST OF TREATMENT

Question: Please prepare a list of the average cost per day and cost per patient treatment by age in age intervals of five years.

Answer: This reply is based on fiscal year 1983 resource allocation modeling, using diagnostic related groups, the Patient Treatment File, and the Department of Medicine and Surgery cost distribution report (report control symbol 14-4). Omitted from computations are resident stipends. These data are for Veterans Administration medical center inpatient discharges.

Costs by Service Connection, Fiscal Year 1983

			Service Connected				Pension		Nonservice-Connected	
	Total		-10%		10%+					
Age in Years	Per Diem	Per Episode	Per Diem	Per Episode	Per Diem	Per Episode	Per Diem	Per Episode	Per Diem	Per Episode
(Overall Cases)	$208	$3854	$211	$3754	$206	$3821	$211	$4029	$207	$3821
-20	218	2921	149	3170	188	3381	190	1660	198	2895
20 - 24	177	3381	171	3286	175	3786	197	2967	175	3271
25 - 29	174	3571	185	3139	172	3853	185	3443	172	3452
30 - 34	172	3657	160	3576	170	3834	178	3793	173	3530
35 - 39	177	3684	173	3404	175	3768	179	3838	178	3628
40 - 44	189	3710	191	3457	184	3810	200	3765	189	3675
45 - 49	201	3757	200	3334	197	3754	195	3963	204	3738
50 - 54	209	3815	216	3531	206	3774	203	3964	213	3804
55 - 59	217	3854	217	3649	217	3784	209	3999	221	3846
60 - 64	225	3832	224	3663	225	3752	216	3946	229	3851
65 - 69	221	3913	220	3927	224	3798	214	4051	222	3933
70 - 74	224	4152	223	4090	231	4000	223	4208	221	4247
75+	216	4279	213	4347	222	4178	216	4242	213	4367

Costs by Bed Section, Fiscal Year 1983

Age in years	Total Per Diem	Total Per Episode	Medical Per Diem	Medical Per Episode	Surgery Per Diem	Surgery Per Episode	Psychiatry Per Diem	Psychiatry Per Episode
(Overall)[1]	$208	$3854	$229	$3540	$261	$3735	$139	$5054
-20	218	2921	268	2722	290	2508	157	3693
20-24	177	3381	234	2627	299	2288	144	4625
25-29	174	3571	251	2594	291	2389	146	4631
30-34	172	3657	250	2711	278	2691	144	4580
35-39	177	3684	250	2841	275	2924	141	4737
40-44	189	3710	248	3025	273	3321	140	4860
45-49	201	3537	250	3129	266	3179	137	5090
50-54	209	3815	242	3347	262	3837	134	5281
55-59	217	3854	235	3474	263	3906	133	5682
60-64	225	3832	232	3544	260	8937	133	5829
65-69	221	3913	221	3746	252	3904	131	6340
70-74	224	4152	219	3994	259	4175	128	7291
75+	216	4279	209	4285	246	4117	130	7594

Data are not available to show visit costs per age for Ambulatory Care (outpatient) expenditures. Data are available in detail for fiscal year 1982 only. Costs per clinic stop were: Medical-Surgical $76.38, ancillary $10.20, group psychiatry $28.16, individual psychiatry $42.30, unscheduled or emergency visit $57.01, and rehabilitation medicine $34.68. Clinic visit data by age is not yet available.

Estimated Annual Per Person Ambulatory
Care (Outpatient) Expenditures by
Age and Eligibility, Fiscal Year 1982

Age Group	Service Connected	Pension	Nonservice-Connected	Average for all Veterans
-20	$161.47	$ *	$126.01	$126.63
20-24	324.52	181.00	217.42	213.26
25-29	421.60	222.00	277.28	271.53
30-34	453.35	286.75	306.31	310.67
35-39	460.10	369.26	317.98	345.94
40-44	464.19	434.13	326.56	373.62
45-49	469.21	462.15	337.68	394.19
50-54	484.04	460.16	349.83	420.70
55-59	513.81	445.66	359.11	446.23
60-64	541.70	435.33	362.13	456.16
65-69	552.24	429.11	356.07	455.44
70-74	550.94	421.89	338.39	444.37
75-79	523.53	408.73	316.30	415.61
80-84	474.78	388.57	298.24	383.11
85-+	451.41	366.33	285.28	364.80

*Sample is too small to estimate reliably.

Question: Also indicate the estimated percent of total United States veterans in each age group that received treatment in FY '82 and FY '83 and your projections for FY '84 and FY '85.

Answer: The following table shows actual rates for FY's '82 and '83 and projections for FY's '84 and '85.

Percent of Veterans Living
in U.S. and Puerto Rico by Age
Receiving or Estimated to Receive
Hospital Care in
Veterans Administration Medical Centers

	Actual		Estimated	
Age	FY 82	FY 83	FY 84	FY 85
- 20	7.2	8.6	7.2	7.8
20-24	2.2	2.3	2.2	2.2
25-29	2.3	2.5	2.3	2.3
30-34	2.2	2.4	2.4	2.3
35-39	1.5	1.6	1.7	1.8
40-44	1.4	1.6	1.7	1.7
45-49	1.6	1.9	1.8	1.7
50-54	2.9	2.7	2.6	2.6
55-59	3.7	4.8	4.7	3.6
60-64	4.8	5.3	5.4	5.5
65-69	5.9	6.3	6.4	6.5
70-74	7.5	7.3	7.4	7.5
75-79	8.9	7.5	7.6	7.6
80-84	12.0	7.2	8.0	10.0
85+	12.5	14.0	14.2	14.6

The estimated portion of the above table is based on the assumption that the Department of Medicine and Surgery is a health care deliverer of the last resort for most veterans who are non-service connected. The Department treats conditions which are chronic in nature, and therefore can be expected to be readmitted during a veteran's lifetime. Readmission rates to hospitals are 1.35 per patient treated per year. In FY '82, 37.8% of under 20 year-old veterans were treated for psychiatric conditions. The rate fell to 24% in FY '83. The incidence of psychiatric conditions for 30-34 year olds in FY '82 was 54.9% and 55.3% in FY '83. Veterans in the 55-59 year-old category are primarily treated for medical-surgical, 83.7% in FY '82 and 84.5% in FY '85. Fifty percent of total hospital caseload is made up of such chronic diseases as mental disorders, malignant neoplasms, circulatory and cardiac conditions, diabetes mellitus, paraplegia, and quadriplegia. These figures exclude those patients treated for end stage renal disease (hemodialysis).

The Department observed a major increase in workload in Medical District 26 between calendar year '82 and calendar year '83. This increase was in the under 65 age group, and is attributed to Medi-Cal changes in that population. Changes are as follows:

Under 65	Percent Increase 1983
Average Daily Census	+23.95
Patients Treated	+ 5.47
Applications Received	+14.71
Outpatient Visits	+11.33
Over 65	
Average Daily Census	-14.04
Patients Treated	+ 8.84
Applications Received	+16.33
Outpatient Visits	+ 6.65

Our recent studies on resource allocation lead us to believe the Department is operating as effectively cost-wise as the private sector. In a simulated study using DRG's for FY '82 discharges and the State of Maryland's cost, and adjusting for VA physician costs, the VA cases on a national average were only $59 more per case than Maryland.

Prescriptions, which make up about 7% of health care expenditures in the country, are filled on the average at half the cost in VA compared to the private sector. This portion of health care charges/costs could easily double if delivered by other than Department of Medicine and Surgery to the currently eligible veteran population.

The Congressional Budget Office recently reviewed the VA health care system. It concluded after looking at several options that only by 1990 might a net federal savings of $1.5 billion be achieved if certain program changes were to occur.

Rather than save funds, such a major change in the VA health program could trigger an escalation in health care costs for the country as a whole. Furthermore, there have been estimates that the Medicare fund could be insolvent as early as fiscal year 1987 and will be by fiscal year 1990. Adding nonservice-connected veteran care will further jeopardize health care of elderly, disabled and medically needy. It might be more prudent to have Medicare consider purchasing services from the Veterans Administration (VA) where the VA has the capacity and resources.

UNIT DOSE DISPENSING OF DRUGS

Question: Two years ago, you testified that by the end of FY 1982, the VA would have 88 of your pharmacies from the "ward stock" system to the "unit dose" system and that at the end of FY 1983 you may have as many as 54,000 beds converted.

What is the current status and your plans for FY 1985?

Answer: During the 1983 budget hearing, the Agency testified that between 3,460 and 14,968 beds would be converted to unit dose in 1983. The number of beds to be converted was dependent upon the Department's ability to identify additional FTEE for bed conversions. The 54,000 bed estimate was based upon the ability to identify sufficient resources to convert 14,968 beds in 1983. At the end of 1983, a total of 47,128 beds in 89 facilities had been converted to unit dose.

It is currently estimated that by the end of 1984, 118 facilities representing approximately 55,000 operating beds will be converted to the unit dose system. The 1985 President's budget does not include any additional resources for unit dose. As a result there are no plans to convert additional beds in 1985.

Question: What resources do you intend to devote to the program in FY 1985?

Answer: The 1985 President's budget does not include any resources for additional bed conversions in 1985.

SPINAL CORD INJURY SERVICE

Question: How much are you requesting to improve Spinal Cord Injury (SCI) Independent Living Centers and Home Care Units?

Answer: No additional resources are included in the 1985 budget request for Spinal Cord Injury Independent Living Centers and Home Care Units. Future requirements will be requested, upon approval, in upcoming budget requests.

Question: How many veterans will be able to transfer from Spinal Cord Injury units in hospitals to your Home Care units and Independent Living centers?

Answer: Home Care units in FY 84, 2,119 patients received home visits.

Question: Will there be a corresponding reduction in the in-patient care costs for SCI patients or will the beds of the transferring patients be filled with new patients?

Answer: Patients who are transferred to IL units or to the home care program will free beds for utilization of new injuries and long term care of the older severely disabled SCI patients. As SCI patients become older, their inability to function independently in the home becomes more prevalent because of their age, the spouse's age and ability in caring for them, and general medical problems.

Question: What percent of the non-Service connected SCI are work-related or caused by a negligent third party?

Answer: It appears that most new injuries are non-work related; however, direct causes have not been identified. There is a high percentage of automobile accidents. No information is collected regarding negligence of a third party.

Question: What percentage of SCI veterans are covered by workers compensation or other third party insurance?

Answer: It is assumed that most, if not all, veterans who are new injuries are not covered by workers compensation or other third party insurance. Any patients who may be covered are transferred to the VA as soon as insurance is exhausted.

COMMUNITY NURSING HOMES

Question: In your FY 84 budget request, you asked for $219,108,000 for contracts with community nursing homes. You expected to support an average census of 10,000 veterans. The congress increased your request by $1.9 million to support about an additional 100 veterans. However, in this year's justification, I note that you expect to obligate $220,652,000 in FY 84 for Community Nursing Home care for an average of 10,312 veterans (100 more than in FY 83).

Why don't you plan to spend all the funds available for Community Nursing Home care in FY 84?

Answer: In analyzing the community nursing home program, the direct obligations should be examined. In 1984 a total of $213,890,000 was budgeted for direct obligations to support the nursing home care program. In 1984 appropriation action, Congress increased direct care resources for community nursing home care by $1.9 million.

The 1984 current estimated direct obligations of $215,790,000 reflects this $1.9 million increase.

Since the community nursing per diem is slightly lower than the budgeted level, an average daily census of 10,312 will be funded at this resource level.

Question: Have you reprogrammed the additional $356,000 from community nursing home care to some other medical care program?

If so, please provide details, including your justification for the reprogramming.

If you have reprogrammed the funds, how do you reconcile this with the subcommittee's request to be notified of reprogrammings above $250,000? This request has been in the subcommittee report since 1977.

Answer: The $356,000 reduction in community nursing home care program reflects the change in the support costs associated with this program. The Department provides administrative support to administer all non-VA programs. This support is determined in total based upon the actual year's experience and then distributed by program based upon the workload levels for each program. Based upon the actual 1983 level, administrative support was reduced from 543 FTEE to 502 FTEE. The $356,000 reduction in support for community nursing is not considered a reprogramming but an in-house adjustment in the need for administrative support. The change does not impact the direct community nursing home care program.

Question: You are requesting a $33.5 million increase in FY 85 to support 400 more veterans in community nursing homes. This is an average of over $83,000 per veteran. In FY 83, you spent an average of $19,010 for each veteran in a community nursing home.

Why this disparity in this year's increase?

Are these funds to be used for something other than patient care?

Answer: The 1985 increase in direct care community nursing home care obligations reflects the impact of three factors. In addition to funding an additional 400 census, the 1985 increase of $33,426,000 is also necessary to support higher per diem rates for the 1984 census level of 10,312. In analyzing the direct care obligation increase, $9,306,000 is needed to fund an additional 400 census in 1985. This breaks down to an average annual cost of $23,265 per census. An increase of

$24,710,000 is necessary to fund an increase in per diem rates from $57.18 to $63.74 for the 1984 census of 10,312. A slight reduction of $590,000 reflects one less calendar day in 1985. The remaining $112,000 increase in the community nursing home care activity is due to uncontrollable increases in support costs related to pay raise annualization, within-grades, and inflation.

VET CENTERS

Question: How many of the existing Vet Centers are totally or partially staffed by VA personnel?

Answer: 136

Question: From FY 81-84, you have requested $11.2 million for the Readjustment Counseling Program.

How many contracts were awarded for each of these years and how many do you anticipate for FY 85?

Answer: FY 81-0; FY 82-361; FY 83-360; and FY 84-72 (to date). We anticipate a downward trend in the number of contract awards/renewals in FY 85. A precise figure is not known, but it could be in the neighborhood of two to three hundred.

Question: How much of the funding was appropriated for the centers not spent for each of these years?

Answer: See enclosure

	APPROPRIATED	ALLOTTED TO FIELD	OBLIGATION BY FIELD	LAPSES IN FIELD
FY 80				
STAFF:	9,945,000	9,408,903	6,051,598	3,357,305
FEE:	-0-	-0-	-0-	-0-
FY 81				
STAFF:	18,380,000	12,315,212	10,916,562	1,398,650
FEE:	11,200,000	1,500,000	-0-	-0-
FY 82				
STAFF:	20,200,000	19,296,577	18,546,968	749,609
FEE:	11,200,000	1,697,771	970,074	727,697
FY 83				
STAFF:	20,860,515	20,711,135	20,050,453	660,682
FEE:	11,200,000	6,695,891	6,094,762	601,129

Question: How many of the contracts from FY 81 - FY 84 were awarded competitively?

Answer: We are in the process of doing a station by station survey to determine the number of contracts that were awarded competitively. The results of this survey should be available sometime during the month of April.

Question: How many contractors submitted proposals from FY 81 -FY 84?

Answer: In order to determine the number of contractors who submitted proposals from FY 81-FY 84, we will need to survey our field stations. The results should be available sometime during the month of April.

Question: Would you please briefly describe the selection process used to identify the contractors finally selected?

Answer: All bids of potential third party contractors are submitted to the local parent VA medical facility where they are screened by an evaluation panel. The panel is usually comprised of two Vet Center employees--one of whom is the Contracting Officer's Technical Representative (COTR), a representative of either the Social Work, Psychology or Psychiatry service and a representative of the Supply Service--usually the Contracting Officer. Each bid is scored based on a detailed set of criteria and the bidder receiving the highest evaluation score is awarded the contract.

Question: What monitoring have you performed on the outside contractors?

Answer: In addition to carefully screening each bid submitted by potential third party contractors, the local Team Leader of the Vet Center and staff in the Regional Manager's office attempt, within limited resources, to monitor the contracts programs. Due to limitations of travel funds and staff ceiling, the monitoring of this program has suffered greatly.

Question: When the IG studied this program, what percent of the contractors were investigated in detail?

Answer: Approximately one to two percent of the 527 contract providers were studied by the VA Inspector General. However, the criteria for surveying these seven to eight contractors was based on dollar volume of the subject providers. The results of the survey should not be construed as representing a trend for all other contractor providers.

Question: What evaluation program are you proposing for the future?

Answer: We created a task force in October, 1983, and charged them to develop a circular that addressed an internal control review of the fees/contracts program. A list of problem areas were identified and we are now in the process of creating new positions--three FTEE in each of our six regions--whose job it will be to monitor the program. These positions should be filled during the third quarter of FY 84.

VA VERSUS COMMUNITY HOSPITALS

Question: Do you agree with GAO's assessment of the validity of the studies comparing the costs between the VA and community hospitals?

Answer: The Veterans Administration has considered GAO's assessment and its recommendation that VA not use the results of the 1982 VA and community hospital cost comparisons to assert that VA can provide medical care to the veteran population less expensively than community affiliated hospitals. However, we take issue on many areas in the final report.

We will continue to defend our results until superior data comparisons can be provided. A better comparison cannot be made unless and until a new data base is generated which is consistent across both VA and community hospitals. We expect that the efforts of Department of Medicine and Surgery to develop a case-mix patient classification system and an automated hospital-based management information system will produce a VA data base that is better for internal system management as well as for external cost comparison purposes. This data base will be available over the next three to five years if the requisite resources for system development and ADP support in the hospitals are forthcoming.

Question: What use have you been making of the results of these studies?

Answer: The studies have been cited in responses to occasional inquiries from Congress and the general public.

MEDICAL EQUIPMENT

Question: How much are you requesting for medical equipment during fiscal year 1985?

Answer: The 1985 budget request includes $310,781,000 for equipment. This estimate is for both replacement and additional equipment acquisition at existing facilities as well as planned facility activations.

Question: How does this compare to your fiscal year 1984 program level?

Answer: The 1985 level of $310,781,000 for equipment represents a $55,242,000, or a 21.6 per cent, increase over the 1984 level.

Question: Would you please submit the amount obligated for equipment for each month during fiscal year 1983?

Answer: The chart below provides a monthly analysis of equipment expenditures for fiscal year 1983 (dollars in thousands):

October 1982	$ 3,289
November	12,933
December	18,858
January 1983	8,718
February	24,638
March	21,807
April	23,075
May	13,896
June	24,618
July	4,149
August	17,473
September	66,484
FY 1983 total	$239,938

Question: What is the ratio of the replacement to additional equipment for fiscal year 1980 to fiscal year 1985?

Answer: The chart below provides an analysis of the ratio of expenditures between replacement and additional equipment:

1985 (budget request estimate)	.83 to 1
1984 (current estimate)	.89 to 1
1983 (actual)	.50 to 1
1982 (actual)	.93 to 1
1981 (actual)	1.26 to 1
1980 (actual)	.69 to 1

Question: Have you found it possible this year to isolate the portions of equipment related to activations in an actual year? If so, what are the ratios if you include activation equipment?

Answer: The current cost accounting system does not separately identify equipment purchases between new and existing facilities. The Department of Medicine and Surgery is developing a circular to establish policy pertaining to the tracking of funding and accountability of activations non-expendable equipment and expendable supplies and furnishings.

When activation funding criteria have been developed and approved, these funds will be transmitted to the affected facility and the field facility will be solely responsible for the accounting and tracking of these funds. Accordingly, effective with all such funds approved for FY 1985 and after, field facilities must establish procedures that will separately identify non-recurring operating obligations for activations from recurring station operating obligations. Facility Directors will be held accountable and will be required to track all funding received to ensure activation funds are used as intended. All VA Central Office established standardized control points must also be utilized by the facilities in their efforts to track activation obligations.

The ratios between replacement and additional equipment previously listed include purchases for existing and new facilities.

OCCUPANCY RATES

QUESTION: Would you please list all the VA medical care facilities and the bed occupancy rates and the percent of patients that are admitted for each facility?

ANSWER: The bed occupancy rates and acceptance rates (i.e., percent of patients that are admitted for each facility) for each of the following VA medical care facilities (alphabetical by district) are as of the end of the last complete fiscal year (i.e., September 30, 1983).

Please note that the 12 facilities that are double asterisked are two division facilities. Thus, if they are counted separately, the total number of medical care facilites is 173, including the independent domiciliary at White City, Oregon.

*Source: VA Office of Reports and Statistics publication, "Summary of Medical Programs—September, 1983."

MEDICAL DISTRICT AND FACILITY	BED OCC RATE	ACCEPTANCE RATE
DISTRICT 1		
Bedford, MA	91.8	95.8
Boston, MA	76.5	91.9
Brockton, MA	83.0	82.2
Manchester, NH	81.7	96.8
Northampton, MA	91.2	82.0
Providence, RI	74.0	87.4
Togus, ME	85.5	84.7
West Roxbury, MA	71.8	78.0
White River Jct, VT	76.8	92.5

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MEDICAL DISTRICT AND FACILITY	BED OCC RATE	ACCEPTANCE RATE
DISTRICT 2		
Albany, NY	85.0	96.2
Batavia, NY	84.5	98.3
Bath, NY	91.8	91.8
Buffalo, NY	88.7	98.5
Canandaigua, NY	90.5	92.6
Syracuse, NY	77.4	92.1
DISTRICT 3		
Bronx, NY	81.1	84.3
**Brooklyn, NY	81.3 [91.3(Bkln)	98.3(St.Alb)]
Castle Pt., NY	78.5	98.0
Montrose, NY	85.3	84.7
Newington, CT	77.4	98.4
New York, NY	84.3	84.8
Northport, NY	87.9	70.6
San Juan, PR	89.2	75.7
West Haven, CT	70.5	61.6
DISTRICT 4		
Coatesville, PA	86.1	84.6
East Orange, NJ	82.6	91.6
Lebanon, PA	96.0	95.4
Lyons, NJ	85.1	95.2
Philadelphia, PA	83.8	96.4
Wilkes Barre, PA	81.2	83.1
Wilmington, DE	65.9	97.5
DISTRICT 5		
Altoona, PA	69.3	99.4
Butler, PA	70.9	92.7
Clarksburg, WVA	83.3	87.5
Erie, PA	88.9	96.2
Pittsburgh, PA (HD)	87.6	95.9
**Pittsburgh, PA (UD)	72.9	96.8
DISTRICT 6		
Baltimore, MD	75.7	90.4
Ft. Howard, MD	90.7	76.5
Martinsburg, WVA	88.9	87.0
Perry Pt., MD	89.8	91.9
Washington, DC	85.2	78.3
DISTRICT 7		
Beckley, WVA	77.0	97.6
Hampton, VA	78.2	94.3
Huntington, WVA	79.7	97.5
Richmond, VA	81.0	78.2
Salem, VA	84.1	98.3

Senator Garn—Continued

MEDICAL DISTRICT AND FACILITY	BED OCC RATE	ACCEPTANCE RATE
DISTRICT 8		
Asheville, NC	82.6	90.4
Durham, NC	83.4	83.3
Fayetteville, NC	86.5	63.7
Mt. Home, TN	83.6	80.6
Salisbury, NC	91.6	78.7
DISTRICT 9		
Atlanta, GA	83.1	99.7
**Augusta, GA	84.4	[94.6(Agsta)95.0(Lenwood)]
Charleston, SC	83.7	63.0
Columbia, SC	74.3	95.9
Dublin, GA	83.8	87.1
DISTRICT 10		
**Biloxi, MS	85.6	[89.9(Bilx)91.6(Glfpt)]
Birmingham, AL	71.4	76.5
Jackson, MS	83.9	85.3
Montgomery, AL	77.5	93.0
Tuscaloosa, AL	87.1	80.9
Tuskegee, AL	85.2	96.8
DISTRICT 11		
**Lexington, KY	86.5	[89.2(Lex) 74.9(Cooper)]
Louisville, KY	77.4	72.7
Memphis, TN	80.0	75.8
Murfreesboro, TN	83.1	80.2
Nashville, TN	77.3	94.7
DISTRICT 12		
Bay Pines, FL	70.0	81.3
Gainesville, FL	82.9	86.8
Lake City, FL	85.0	83.1
Miami, FL	84.2	89.0
Tampa, FL	82.8	91.9
DISTRICT 13		
Chillicothe, OH	80.1	99.8
Cincinnati, OH	75.7	91.2
**Cleveland, OH	74.3	[96.6(Clv) 93.6 (Bkvl)]
Dayton, OH	77.1	82.6
DISTRICT 14		
Allen Park, MI	78.8	99.9
Ann Arbor, MI	84.7	99.5
Battle Creek, MI	85.1	94.7
Saginaw, MI	72.8	99.8

Senator Garn—Continued

MEDICAL DISTRICT AND FACILITY	BED OCC RATE	ACCEPTANCE RATE
DISTRICT 15		
Danville, IL	83.7	94.8
Ft. Wayne, IN	75.6	95.4
**Indianapolis, IN	76.5	78.1
Marion, IN	89.5	95.3
DISTRICT 16		
Iron Mt., MI	67.3	98.1
Madison, WI	67.6	94.7
Tomah, WI	79.2	96.5
Wood, WI	79.2	86.5
DISTRICT 17		
Chicago (LS), IL	77.6	99.1
Chicago (WS), IL	89.0	97.3
Hines, IL	82.4	70.4
North Chicago, IL	83.9	96.1
DISTRICT 18		
Fargo, ND	76.9	92.8
Minneapolis, MN	78.6	97.4
Sioux Falls, SD	71.0	95.3
St. Cloud, MN	82.1	99.0
DISTRICT 19		
Alexandria, LA	84.5	87.7
Fayetteville, AR	83.3	94.7
**Little Rock, AR	75.2	[93.6(LR) 99.8(NLR)]
New Orleans, LA	87.0	80.8
Shreveport, LA	82.3	92.6
DISTRICT 20		
Bonham, TX	93.6	95.9
Dallas, TX	79.5	91.2
Houston, TX	86.8	87.3
Kerrville, TX	76.7	96.3
Marlin, TX	89.3	98.4
Muskogee, OK	69.5	85.2
Oklahoma City, OK	74.2	94.4
San Antonio, TX	86.1	97.2
Temple, TX	77.1	94.8
Waco, TX	80.9	92.1
DISTRICT 21		
Columbia, MO	74.9	99.6
Marion, IL	76.6	96.3
Poplar Bluff, MO	74.4	93.3
**St. Louis, MO	82.8	[83.6(StL) 86.6(JfnBrk)]

Senator Garn—Continued

MEDICAL DISTRICT AND FACILITY	BED OCC RATE	ACCEPTANCE RATE
DISTRICT 22		
Kansas City, MO	86.3	89.6
Leavenworth, KS	75.4	95.8
Topeka, KS	84.3	98.0
Wichita, KS	72.3	93.3
DISTRICT 23		
Des Moines, IA	68.4	93.1
Ft. Meade, SD	80.2	98.3
Grand Is., NE	74.8	97.0
Hot Springs, SD	74.1	97.5
Iowa City, IA	77.1	93.0
Knoxville, IA	89.9	96.9
Lincoln, NE	76.0	97.1
Omaha, NE	79.8	93.3
DISTRICT 24		
Cheyenne, WY	69.0	98.4
Denver, CO	85.4	99.6
Ft. Harrison, MT	79.4	81.3
Ft. Lyons, CO	92.4	99.8
Grand Jct., CO	75.2	89.6
Miles City, MT	62.5	93.3
Salt Lake City, UT	78.9	94.0
Sheridan, WY	86.1	98.7
DISTRICT 25		
Albuquerque, NM	75.0	97.8
Amarillo, TX	89.4	99.5
Big Spring, TX	62.3	99.7
Phoenix, AZ	82.6	90.7
Prescott, AZ	65.0	79.6
Tucson, AZ	78.1	97.1
DISTRICT 26		
Loma Linda, CA	82.0	82.8
Long Beach, CA	79.5	90.5
San Diego, CA	66.0	80.1
Sepulveda, CA	75.8	94.9
**West Los Angeles, CA	76.2	[95.0(WdW) 100.0(Bwd)]

Senator Garn—Continued

MEDICAL DISTRICT AND FACILITY	BED OCC RATE	ACCEPTANCE RATE
DISTRICT 27		
Fresno, CA	74.1	91.7
Livermore, CA	75.4	94.9
Martinez, CA	80.3	95.5
**Palo Alto, CA	80.9 [98.7(PA)]	100.0(MenloPk)
Reno, NV	75.1	92.6
San Francisco, CA	71.7	87.2
DISTRICT 28		
American Lake, WA	88.9	87.4
Boise, ID	69.4	99.4
**Portland, OR	67.3 [50.1(Port)]	88.3(Vancvr)
Roseburg, OR	74.6	93.9
Seattle, WA	85.0	98.7
Spokane, WA	72.9	91.0
Walla Walla, WA	71.6	93.9
White City, OR (Indp. DOM)	79.3	79.3

VA ADP-INTEGRATED SYSTEMS

Question: Would you please describe the VA's current plans for an integrated ADP system?

Answer: The VA Integrated Hospital System (IHS) is a project that will demonstrate and evaluate commercial hospital information systems in three VA medical centers (VAMC's). These VAMC's are: Philadelphia, PA, Saginaw, MI, and Big Spring, TX. The systems will be integrated in that their modules revolve around a common patient data base. A request for proposal was released on October 14, 1983 and proposals were received on January 10, 1984. Evaluations are now underway with awards expected during May 1984.

The Integrated Hospital System (IHS) is a facilities management approach whereby the vendors will be responsible for site preparation and tailoring, installing and operating their systems. The IHS expects to test mandatory modules of patient registration; admission, transfer and discharge; clinic scheduling; medical records tracking; pharmacy; and clinical laboratory. Optional modules have been requested for areas such as resource allocation and cost accounting, radiology, nursing, materials management, dietetics, etc.

The demonstration is scheduled for 2 years and 9 months. A contractor will be acquired to assist the VA in evaluating the Integrated Hospital System (IHS) systems through a before and after functional and cost analysis. Proposals are currently being evaluated to select this contractor and an award is expected in May 1984. About 12-15 months after the IHS awards, another contractor will be acquired to assist in comparing the IHS systems with the systems installed in VAMC's in the Decentralized Hospital Computer Program (DHCP).

With the exception of three VA medical centers who are participating in the commercial Integrated Hospital System demonstrations, all other VAMC's are implementing a VA-developed integrated hospital system under the auspices of the Decentralized Hospital Computer Program (DHCP). The program calls for the two-phase implementation of Initial CORE followed by Full CORE software at each VAMC. Initial CORE consists of Registration, Admissions, Discharge, Transfer, Clinic Scheduling (ADTS) and Outpatient Pharmacy. Full CORE includes the addition of both Inpatient Pharmacy and Clinical Laboratory extended to the wards. The system design will also allow for future growth to support implementation of enhanced DHCP functions such as Radiology, Dietetics and Nursing. In each case, the Department of Medicine and Surgery (DM&S) is taking a modularized approach to software development. Each module (Clinical Laboratory, Clinic Scheduling, etc.) may be run independently of the others but each also shares a common data base governed by a standardized Data Dictionary. This concept ensures complete integration as the modules are combined to form a hospital information system.

The hardware in support of the Decentralized Hospital Computer Program has been secured through ten requests for proposals (RFP's). Based on a hospital workload sizing matrix developed within the Department of Medicine and Surgery (DM&S), each medical center was placed in one of five classifications of computer size. Five ADP system RFP's were developed to accommodate the workload associated with a specific class. The remaining RFP's provided terminals, printers, multiplexers, modems and laboratory interface units. The majority of the VAMC's will first implement the Initial CORE modules followed, at a later time, with implementation of Full CORE. The hardware delivery schedules reflect this. All VAMC's will receive the hardware to implement Initial CORE by November of this year. These Initial CORE deliveries are starting now. This hardware will be augmented by a second delivery six to eight months after the first to provide Full CORE capability. Upon receipt of hardware, medical centers are expected to begin applications implementation within thirty to sixty days.

Question: Will you please describe in detail the support that will be given to each of the 172 VAMC's and indicate specifically the communication capabilities and access to computer mainframes that is anticipated for these centers.

Answer: Each VAMC is supported by one of six regional Verification and Development Centers (V&DC's). These centers are responsible for distributing and maintaining the Decentralized Hospital Computer Program (DHCP) software and for assisting the VAMC's in implementing and operating the integrated DHCP systems. At the local level, each VAMC has hired or appointed an ADP systems Site Manager who provides onsite expertise and is responsible for the daily operation of the system. For each of the areas supported by CORE within the medical center, e.g., Medical Administration Service, Laboratory and Pharmacy, the medical center has designated a person or persons to act as the application coordinator. The Site Manager and application coordinators are receiving extensive training in the use of each application at regional locations. Upon completion of this training, these representatives are returning to their facilities to train the remainder of the medical center staff. In addition, each Site Manager is receiving detailed equipment and operating system training at the Hines V&DC from the computer contractor. Many regions are also establishing a third layer of support at the district level. The systems managers from each VAMC within a district are forming district ADP Steering Committees to address common ADP concerns.

The DHCP configurations include remote communications to facilitate the exchange of information between the medical centers, district and regional offices, and the V&DC's and to allow the V&DC's to provide online software support to the VAMC'S. For example, a program error that may be causing problems at a particular VAMC can be reviewed and corrected by staff at the supporting V&DC by accessing the VA's VAMC's system through remote communications for online review of the problem and online correction. When work on the VA's communications network, Veterans Administration Data Transmission System (VADATS), is complete, it is anticipated that this will become the "window" through which the medical centers will conduct communications. This "window" will also be used to provide management information data to the VA's centralized mainframe systems. While the data needed for national management will still be compiled on these centralized mainframes, the associated local management reports that are spun off from these systems can be produced at the local level using the DHCP equipment. This will result in the elimination of long turn-around times and increase the timeliness of the data.

Question: What is being done at the current time in reference to the local VAMC system development plan to assure the output from such systems will be compatible with an integrated headquarter management information system?

Answer: Rapid changes in health care technology and in methods for allocating resources, as well as the increased emphasis on health care cost containment require the development of new measures for monitoring of health care delivery by chiefs of staff, hospital directors, and the Department of Medicine and Surgery (DM&S). They also require a more flexible, state-of-the-art information technology than has existed within the VA's health care system. The Decentralized Hospital Computer Program (DHCP), which is making computers and software for clinical operations available to all the VA health care facilities, is a starting point in enabling hospital staff to put together the information needed to more efficiently run the facility. Automating the capture and reporting of current VA-wide management information requirements is one of DHCP's highest priorities and an important byproduct of each VAMC's DHCP system. For instance, the VA's Automated Management Information System (AMIS) maintains monthly tallies of the number of Applications For Care, the associated application dispositions, the number of veterans over 65 applying for care, etc. This information will be automatically computed and stored in each VAMC's DHCP system.

Senator Garn—Continued

It is the increased availability of data in the field via the Decentralized Hospital Computer Program computers that prompted the Department of Medicine and Surgery to create a Task Force on Management Information Systems. The Task Force is to develop a system which will fulfill the information needs of all managers within the Department of Medicine and Surgery and is considering adoption of a comprehensive, decentralized, population-based planning and budgeting process that focuses on the specific needs of VA beneficiaries. Labeled the "Decentralized Medical Management System" (DMMS), this approach integrates professional clinical review with a four-part Strategic Management System comprised of:

- a Professional Review Organization (PRO) to quantify both utilization review of the resource allocation technique and measure medical quality assurance;
- the Medical District Initiated Program Planning (MEDIPP) program which decentralizes planning to provide a "grassroots" assessment of veterans' needs;
- a medical resource allocation methodology utilizing each facility's case mix experience based on Diagnostic Related Groups (DRG's); and
- prototype staffing guidelines, being developed in specific test categories of medical facility personnel, to evaluate productivity measured against intermediate end products.

DM&S calls for the development of new measures to manage and monitor medical care delivery. It also requires a decentralized, hands-on, real-time, flexible, state-of-the-art information technology. Such a system does not exist in the VA's health care system. With the advent of the DHCP, the base is established for creating such a medical management information system. Thus, in considering the needs of DM&S, the information needs of the agency will be fully supported.

With respect to agency-wide MIS efforts, focus has been on the following areas:

- PAID Redesign
- Establishment of new telecommunications links (VADATS)
- The Improved Management Information System Task Force which is concentrating its efforts on upgrading the technology used to access the AMIS data system.

As previously discussed, DM&S internal efforts related to a VA Management Information System (MIS) Task Force and the Decentralized Hospital Computer Program (DHCP). Specifically, the DM&S MIS Task Force is reviewing and making recommendations concerning the PAID Redesign proposals. The Task Force is also a contact point for the Office of Reports and Statistics' Improved Management Information Systems Task Force to assure that there is no duplication of effort. DM&S has also been closely following the telecommunications situation, since it is a vital concern of the Department to link the health care facilities and any central systems.

If DM&S is successful in obtaining the assistance of a contractor it is expected that the time to develop a health care information system plan will be considerably shorter than if DM&S has to do it completely in-house. Regardless of who is involved, the work being done on the DM&S MIS will be shared with the Improved MIS Task Force and any other groups involved in developing an agency MIS. It is expected that the work of the DM&S MIS Task Force will be complementary with developmental efforts elsewhere in the Agency.

Question: Please indicate the specific management anticipated reports, the frequency of such reports, the details contained in such reports and when these will first be available.

Answer: The Decentralized Medical Management System (DMMS) will produce information and reports that provide physicians and administrators with ready access to patient care data on complication rates, resource utilization patterns and outcomes. This information will enable local providers to measure: health care needs in terms of clinical services, Diagnostic Related Groupings (DRG's) and other specific clinical, financial, or demographic characteristics of patients; the type and amount of resources required to meet health care needs; and the efficiency and effectiveness of resource utilization.

The type of data generated by the Department of Medicine and Surgery (DM&S) will be medically oriented, integrated, and decentralized. Because VA hospitals exist to provide care to patients, medical management will be the primary focus of the Decentralized Medical Management System (DMMS). Tracking and monitoring of fiscal, personnel, and other resources will take place within the context of the delivery of medical care and will be evaluated in that context. In terms of integrated data, medical, financial and administrative data bases will be linked within each hospital. In this way, the system will assist VAMC and Department of Medicine and Surgery management by supporting utilization review and quality assurance activities; facilitating the appropriate allocation of resources to achieve the mission of the hospital and its subdivisions; and establishing mechanisms for monitoring productivity.

Well documented differences in patient care practice patterns between hospital staffs in and outside the VA require that information be decentralized and specific to each individual facility. Data collection and analysis will be flexible enough to address differences while allowing the generation of summary files for the construction of district, regional and national data bases.

With respect to the frequency of Department of Medicine and Surgery reports, this will be determined by reporting requirements at each of the four levels of DM&S including VAMC, District, Region, and Central Offices. However, in no case will a medical center or a department within a center be precluded from obtaining timely and specific patient care data. Reports of a less critical nature, particularly those directed at managers at higher VA echelons, will contain aggregate data and be available on a routine basis.

Given the fact that the Department of Medicine and Surgery is now in the design stage, it is difficult to state with any certainty when the first management reports will be available. Current plans call for a 1 to 3 year development effort followed by a phased implementation in the medical centers.

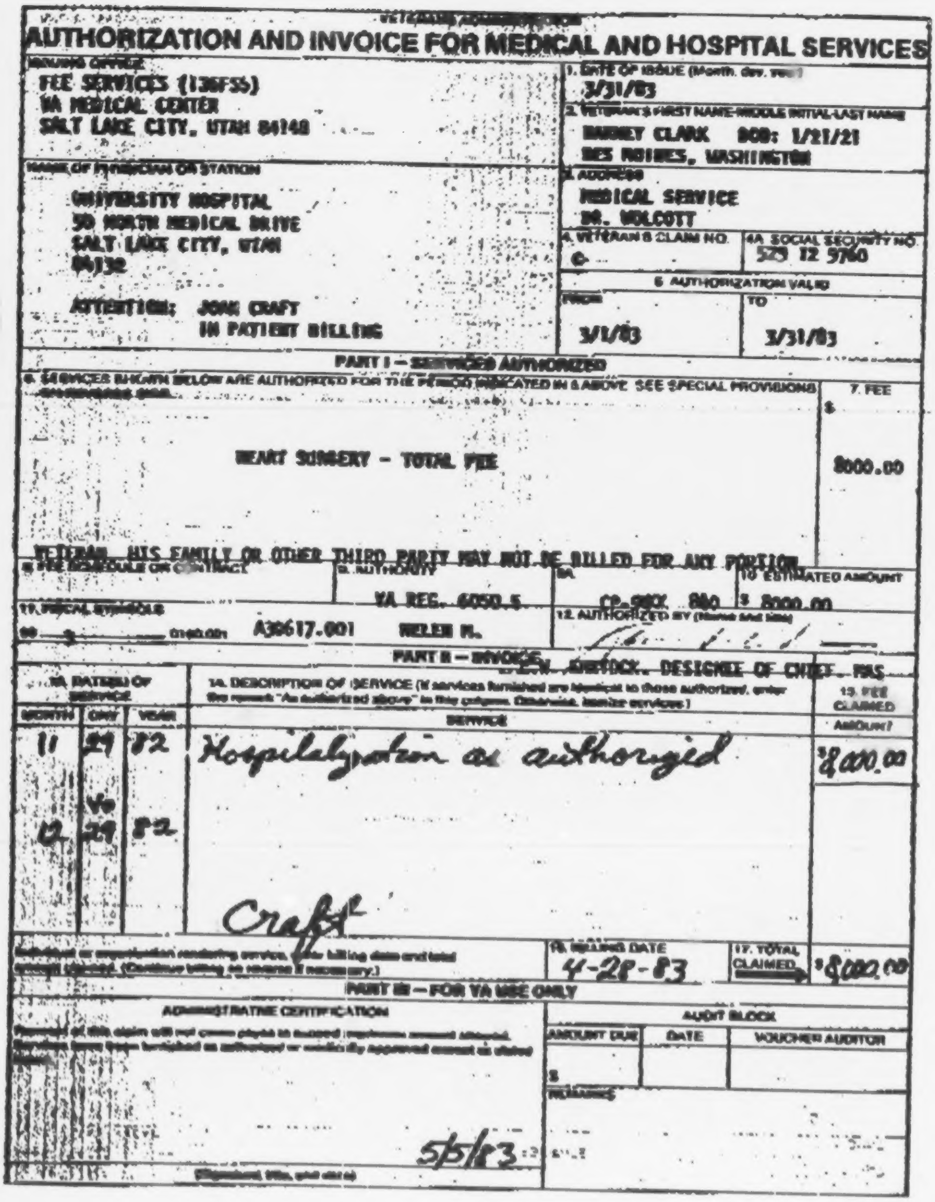
HEART TRANSPLANT FUNDING

Question: Were any funds transferred to the University of Utah for the artificial heart transplant operation on Dr. Barney Clark?

Answer: Payment in the amount of $8,000.00 was authorized for a portion of Dr. Barney B. Clark's care under the provision of an approved sharing contract between the University of Utah and the Salt Lake City VA Medical Center.

Question: Was such a fund transfer authorized by the VA?

Answer: Funding was authorized by the Salt Lake City VA Medical Center and the authorizing document is attached.



VETERANS ADMINISTRATION

AUTHORIZATION AND INVOICE FOR MEDICAL AND HOSPITAL SERVICES

ISSUING OFFICE
FEE SERVICES (136FSS)
VA MEDICAL CENTER
SALT LAKE CITY, UTAH 84148

1. DATE OF ISSUE (Month, day, year)
3/31/83

2. VETERAN'S FIRST NAME-MIDDLE INITIAL-LAST NAME
BARNEY CLARK DOB: 1/21/21
DES MOINES, WASHINGTON

NAME OF PHYSICIAN OR STATION
UNIVERSITY HOSPITAL
50 NORTH MEDICAL DRIVE
SALT LAKE CITY, UTAH
84132

ATTENTION: JONI CRAFT
IN PATIENT BILLING

3. ADDRESS
MEDICAL SERVICE
DR. WOLCOTT

4. VETERAN'S CLAIM NO.
C-

4A. SOCIAL SECURITY NO.
529 12 9760

5. AUTHORIZATION VALID
FROM 3/1/83
TO 3/31/83

PART I — SERVICES AUTHORIZED

6. SERVICES SHOWN BELOW ARE AUTHORIZED FOR THE PERIOD INDICATED IN 5 ABOVE. SEE SPECIAL PROVISIONS [illegible]

HEART SURGERY - TOTAL FEE

7. FEE
$ 8000.00

VETERAN, HIS FAMILY OR OTHER THIRD PARTY MAY NOT BE BILLED FOR ANY PORTION

8. FEE SCHEDULE OR CONTRACT

9. AUTHORITY
VA REG. 6050.5

9A.
CP-9RCX 860

10. ESTIMATED AMOUNT
$ 8000.00

11. FISCAL SYMBOLS
A30617.001 HELEN M.

12. AUTHORIZED BY (Name and title)
E.W. SHERLOCK, DESIGNEE OF CHIEF, MAS

PART II — INVOICE

13. DATE(S) OF SERVICE			14. DESCRIPTION OF SERVICE (If services furnished are identical to those authorized, enter the remark "As authorized above" in this column. Otherwise, itemize services.)	15. FEE CLAIMED
MONTH	DAY	YEAR	SERVICE	AMOUNT
11	29	82	Hospitalization as authorized	$8000.00
	to			
12	29	82		
			Craft	

Individual or organization rendering service, enter billing date and total amount claimed. (Continue billing on reverse if necessary.)

16. BILLING DATE
4-28-83

17. TOTAL CLAIMED
$8000.00

PART III — FOR VA USE ONLY

ADMINISTRATIVE CERTIFICATION

[illegible]

5/5/83

(Signature, title, and date)

AUDIT BLOCK

AMOUNT DUE	DATE	VOUCHER AUDITOR
$		

REMARKS

VA LOAN GUARANTEE PROGRAM

Question: Will your policy for the foreseeable future involve continuing to make a case-by-case decision of whether to acquire the property or to pay the maximum claim liability?

Answer: Yes. However, representatives from VA, FHA, FmHA and OMB are now working to develop uniform regulations and administrative procedures governing the property acquisition process of Federal housing programs.

Question: Please identify the factors that you take into consideration in determining what an upset price should be?

Answer: When VA is notified of a foreclosure sale, a determination is made whether or not to establish an upset price and acquire the property or whether it is in the Government's best interests to pay the maximum claim liability.

VA obtains an appraisal of the property performed by a fee appraiser. This appraisal is reviewed by a VA staff and if considered proper will be designated as the value of the property. From this value VA deducts estimated acquisition, management, sales expenses and any unpaid taxes or other liens against the property. The resultant amount ("net value" of property) is then compared to the total indebtedness less VA's maximum claim payable, which is called the unguaranteed portion of the loan (the lender's risk). If the "net value" exceeds the unguaranteed portion, then VA will establish an upset price equal to the "net value" and will agree to acquire that property from the lender for that amount after the foreclosure sale, provided the lender is the successful bidder. By establishing an upset price when the "net value" exceeds the unguaranteed portion of the debt, VA will pay less than the maximum claim otherwise payable.

If the "net value" is less than the unguaranteed portion of the debt, VA will not establish an upset price and will not acquire the property since VA could not recapture any of the maximum claim payable under the guaranty.

Question: Would you please provide a table listing property acquisitions and dispositions indicating the value of the inventory for each year from 1977 through the present with estimates for FY 84 and FY 85?

Answer:

FY	Property Acquisitions	Property Dispositions	Net Value of Inventory [1]
77	17,495	16,628	$231 Million
78	15,499	15,676	$231 Million
79	13,077	14,658	$219 Million
80	11,549	11,780	$234 Million
81	13,326	10,645	$352 Million
82	16,656	10,775	$587 Million
83	21,411	18,550	$722 Million
84 [2]	24,530	22,360	$801 Million
85 [3]	13,250	10,000	$918 Million

[1] Represents net value of the inventory as of the last day of the fiscal year.

[2] Estimate

[3] Estimate is based on new Federal housing policy being implemented October 1, 1984.

Question: The Congressional Budget Office report of January 1984 indicates that a continuation of the present policy as you are suggesting will cause the Direct Loan Revolving Fund to run out of money in FY 84. Do you anticipate requesting a supplemental appropriation in both FY 84 and FY 85 to provide funding for the Loan Guarantee Revolving Fund?

Answer: Yes, a supplemental request for FY 84 and a budget amendment for FY 85 will be submitted.

Question: How much do you anticipate requesting in FY 84?

Answer: To maintain normal operations, the fund will require an additional $260 million to provide sufficient resources in 1984 ($135 million) and to maintain adequate reserves for the start of 1985 operations ($125 million).

Question: How much do you anticipate requesting in FY 85?

Answer: To continue normal operations, an appropriation of $500 million will be needed to fund the program in 1985. Of this amount, $110 million will be in reserve for the start of 1986 operations.

Question: Have you submitted anything formally to OMB for these requests?

Answer: No formal presentation has been submitted to OMB at this time, but will be soon.

Question: What would occur if these funds were not appropriated?

Answer: If additional funding is not available, the program will not have sufficient funds to pay lenders under the terms of the guaranty contract on a foreclosed GI home loan as set forth under Title 38 U.S.C., Section 1816 and 1820.

BENEFITS FOR WIDOWS

Question: VA benefits to widows are terminated upon remarriage. However, benefits are reinstated if these widows remarriages end. How many widows would you estimate are currently receiving benefits who have previously remarried and had benefits terminated, then restored upon their remarriage?

Answer: Marital status is only one of a number of factors which must be considered when we decide whether to originally award, or resume, benefits. We have no specific indicator in our records to show how many surviving spouses remarried following the death of the veteran. As a result, we are unable to provide even an estimated answer to this question.

Question: Do you know how many widows on the average each year have benefits restored upon the termination of their remarriages?

Answer: We have no statistics regarding the number of surviving spouses whose benefits are restored each year under this provision.

VA BONUS PROGRAM

Question: Would you please provide the names of all VA employees who have received a total of $15,000 or more in performance or SES bonuses over the last three years?

Answer: The VA employees who received such bonuses are:

Glenn Alred
William Anderson
Peter Baglio
Barry Bell
Burdeen Brown
James Christian
Clyde Cook
Robert Coy
Jerome Dolezal
Kenneth Eaton
John Fears
Sidney Ford
Thomas Gigliotti
John Hagan
Conrad Hoffman
John Lee
Robert Lindsay
Joseph Moore
Thomas Mullon
Robert O'Toole
Vincent Parrish
Carlos Rainwater

Malcom Randall
Frank Sato
John Sheehan
Carl Stephenson
Thomas Stranova
Donald Thompson
Joseph Travers
Charles Yarbrough
Albert Zamberlan

Question: Is it possible for a member of the performance review committee to also be a recipient? Has this occurred within the last five years?

Answer: Yes, PRB members have received bonuses. Four Performance Review Boards (PRBs) have been established in the Veterans Administration: the VA PRB, the Department of Medicine and Surgery (DM&S) PRB, the Department of Veterans Benefits (DVB) PRB and the Office of Inspector General (OIG) PRB. Two of the members of the OIG PRB are career Senior Executives employed in agencies other than the VA; the third is a member of the VA PRB. The members of the VA, DM&S and DVB Performance Review Boards are VA executives who are appointed by virtue of their positions. Since the PRB members hold some of the most responsible positions in the agency it would be expected that each year many of them would be among the career executives recognized with SES bonuses for their individual or organizational achievements.

The VA has, however, implemented procedures which preclude PRB members from participating in any deliberations on the development of bonus recommendations on themselves. Bonuses for members of the Department of Medicine and Surgery and Department of Veterans Benefits PRBs are recommended by the Chief Medical Director and Chief Benefits Director, respectively. These recommendations are reviewed by the VA PRB before being forwarded for the Administrator's consideration and approval.

Initial bonus recommendations for VA Central Office Executives including members of the VA Performance Review Board are developed by a "Bonus Screening Committee." This Committee is comprised of key agency officials who are members of the VA, DM&S, or DVB PRB but are not eligible for a bonus, withdrew from bonus consideration, or are not in the pool of executives considered for bonuses by the VA PRB. When the Bonus Screening Committee's recommendations are presented to the VA Performance Review Board, PRB members who are under consideration for a bonus are excused from the meeting and the remaining PRB members constitute a quorum. Thus, the PRB members neither vote on bonuses for themselves nor on other executives competing for awards from among the Central Office group.

PERFORMANCE REVIEW BOARDS

Question: Would you please provide a list of all the individuals on each of the performance review committees for the last five years and the SES bonuses, if any, that they received over this time period?

Senator Garn—Continued

Answer: The members of the performance review boards (PRB) and the bonuses they received are as follows, by fiscal year:

Fiscal Year 1980

VA PRB

Charles E. Clark
Maury S. Cralle'
Robert D. Vaughn
Donald L. Custis
Dorothy L. Starbuck ($9500)
Carl T. Noll
Guy H. McMichael III
William R. Martin
Sydney J. Shuman
Conrad Hoffman
Frank R. Hood ($8000)
Raymond S. Blunt
William Salmond
H. David Burge

DM&S PRB

William R. Merchant
Donald H. Thompson ($4000)
James A. Christian
Murray Mitts
Charles V. Yarbrough ($4000)
Carlton M. Smith
Charles R. Paulk
Dan G. Kadrovach
James H. Caldwell, Jr.
Thomas P. Mullon
John J. Peters, Jr.

DVB PRB

John W. Hagan
David M. Walls
John P. Travers
Jerome C. Peckarsky
James J. Cox
Albert W. Glass

Fiscal Year 1981

VA PRB

Charles E. Clark ($9500)
Maury S. Cralle'
Robert D. Vaughn
Donald L. Custis
Dorothy L. Starbuck
Carl T. Noll
Guy H. McMichael
William R. Martin
Sydney J. Shuman ($9500)

Senator Garn—Continued

Conrad Hoffman ($7000)
Frank R. Hood
Raymond S. Blunt ($6500)
William Salmond ($9500)
H. David Burge

DM&S PRB

William R. Merchant
Donald H. Thompson ($6000)
James A. Christian
Murray Mitts
Charles V. Yarbrough ($5500)
Carlton M. Smith
Charles R. Paulk
Dan G. Kadrovach
James H. Caldwell
Thomas P. Mullon
John J. Peters, Jr.

DVB PRB

John W. Hagan ($9500)
David M. Walls
John P. Travers
Jerome C. Peckarsky
James J. Cox
Albert W. Glass ($5500)

Fiscal Year 1982

VA PRB

Francis D. DeGeorge
Fielding Cochran
Elizabeth F. Burkhart
William F. Sullivan
Donald L. Custis
Dorothy L. Starbuck
John P. Murphy
Jack J. Sharkey
Conrad R. Hoffman
Joseph Mancias, Jr.
Raymond S. Blunt
William A. Salmond
Michael Rudd
Clyde C. Cook ($9360)
Robert W. Schultz

DM&S PRB

Turner Camp
James A. Christian ($4928)
Stanley Kahane
Philip T. White
Charles V. Yarbrough ($6435)
Carlton M. Smith

Charles R. Paulk ($5850)
Donald B. Thompson ($4680)
Albert Zamberlan ($5850)
Thomas P. Mullon ($5850)
John J. Peters, Jr. ($5850)

DVB PRB

John W. Hagan, Jr.
John P. Travers ($8775)
John W. Rue
David M. Walls ($6023)
James J. Cox
Albert W. Glass
Charles L. Dollarhide
Alex S. Kraut

Fiscal Year 1983

VA PRB

Everett Alvarez
Anthony Principi
Dominick Onorato
William F. Sullivan
Donald Custis
Dorothy Starbuck
Paul Bannai
John Murphy
Kenneth Eaton ($7205)
Jack Sharkey ($5895)
Conrad Hoffman ($12,445)
Joseph Mancias, Jr.
Raymond Blunt
William Salmond
Michael Rudd
Clyde Cook ($10,480)
Robert Schultz ($5895)
Renald Morani

DM&S PRB

Earl Brown
James Christian ($5742)
Carl Stephenson ($5742)
Francis Conrad
Stanley Kahane
Charles Yarbrough ($6380)
James Krajeck ($7205)
Charles Paulk ($7205)
Donald Thompson ($10,480)
Thomas Mullon ($10,480)
John Peters ($10,480)
Albert Zamberlan ($10,480)

DVB PRB

John Hagan, Jr. ($13,100)
David Walls
John Rue

John Travers
Max Woodall
Edward Green
Robert O'Toole
Stephen Lemons ($3690)
Charles Dollarhide
Donald Twitty ($3690)
Frederick Schatz

FISCAL YEAR 1984

VA PRB

Everett Alvarez
Donald Custis
Dorothy Starbuck ($11,424)
Paul Bannai
Anthony Principi
Dominick Onorato
William Sullivan
John Murphy
Kenneth Eaton ($11,135)
Jack Sharkey ($3275)
Conrad Hoffman ($7860)
Joseph Mancias, Jr.
Raymond Blunt ($3275)
William Salmond ($3275)
Michael Rudd ($7860)
Clyde Cook ($3275)
Robert Schultz ($3275)
Renald Morani

DM&S PRB

Earl Brown
James Christian ($7018)
Joseph Heavey
Francis Conrad
Charles Yarbrough ($10,846)
James Krajeck ($5895)
Donald Thompson ($9170)
Albert Zamberlan ($12,445)
Thomas Mullon ($13,100)
Daniel Cooney ($5240)
Alvis Carr ($5104)

DVB PRB

John Hagan ($11,135)
David Walls
John Rue
John Travers
Max Woodall
Edward Green
Robert O'Toole ($9825)
Stephen Lemons
Charles Dollarhide ($4585)
Donald Twitty ($3691)

Frederick Schatz
Richard Rehling

OIG PRB

James Curry, DOD
Joseph Genovese, DOT
John Murphy

CONSULTANTS AND EXPERTS

Question: How much did you spend on consultants and experts in FY 83?

Answer: $550,000

Question: How much do you anticipate spending in FY 84 and FY 85?

Answer: It is estimated that the VA will spend $905,000 in FY 84 and $517,000 in FY 85 on consultants and experts.

Grace Commission

Question: The President's private sector survey on cost control, known as the Grace Commission under the Federal Construction Task Force, the Hospital Cross-Cut Task Force and the Hospital Management/Veterans Administration Task Force provided a number of recommendations for cost savings and revenue enhancements within the VA.

Would you provide us with the VA's general reaction to the types of VA-oriented recommendations made by the Grace Commission?

Answer: The Grace Commission has issued three reports pertaining to the VA: Reports on the Veterans Administration, Federal Hospital Management, and Privatization. Each report's purpose is to identify opportunities for cost savings and to make recommendations that may increase efficiency. Many of the Grace Commission's recommendations concerned actions which had already been planned or were actually underway in the VA. In the majority of these issue areas, the Agency has agreed with the Grace Commission and has provided plans to implement these recommendations. In other areas, the VA has questioned recommendations and their associated savings estimates. For example, the issue VETS-04, concerning a recommendation to cease acquisition of property when a loan is foreclosed,has generated a major policy discussion involving all Federal Agencies who have loan programs. The VA is awaiting scheduling of unresolved issues by the appropriate Cabinet Council for final resolution.

Question: Would you please list each of the specific recommendations and indicate whether or not the VA will implement the recommendation, also briefly describe your reason for accepting or rejecting each recommendation?

Answer: The specific recommendations, the Agency's positions and comments, and the implementation plans and timetables are provided on the following pages.

HOSP 2-1: A full-time Director of Shared Health Resources should be appointed in DOD and VA.

VA POSITION/COMMENTS:

VA has been actively implementing PL 97-174, the VA/DOD Sharing Act, since its enactment May 4, 1982 (prior to inception of the Grace Commission).

IMPLEMENTATION PLANS/TIMETABLES:

Accomplished - Full-time Director of Sharing has been appointed in DM&S.

HOSP 2-2: Procurement, ADP and Hospital Bed Sharing Opportunities Should be Actively Pursued.

VA POSITION/COMMENTS:

VA has been actively implementing PL 97-174, the VA/DOD Sharing Act, since its enactment May 4, 1982 (prior to inception of the Grace Commission).

IMPLEMENTATION PLANS/TIMETABLES:

- The VA continues to pursue a variety of initiatives for sharing in the areas of administrative services and medical equipment.
- Sharing agreements exist or are being negotiated in the areas of:
    - Optical fabrication
    - Inpatient/outpatient beds and facilities
    - Funding of health care personnel
    - Electrocardiography
    - Blood Utilization
    - Alcoholism Treatment
- The VA/DOD Shared Procurement Committee has been actively pursuing the procurement of common-use medical items since before the efforts of the Grace Commission - achieved savings of $21.9 million in FY'82.

HOSP 2-3: Legislation and incentives should be pursued to broader current sharing authority.

VA POSITION/COMMENTS:

- A broadening of the 38 USC 5053 authority would enhance the ability of the VA to establish reasonable and useful sharing agreements with the hospital community at large.
- PL 97-174 does not extend the authority for the sharing of medical resources to HHS health care facilities.

IMPLEMENTATION PLANS/TIMETABLES:

At this time the VA is actively reviewing submitting appropriate legislation.

HOSP 2-4: Sharing opportunities and incentives should be explored more actively by the Sharing Committee.

VA POSITION/COMMENTS:

VA has been actively implementing PL 97-174, the VA/DOD Sharing Act, since its enactment May 4, 1982 (prior to inception of the Grace Commission).

IMPLEMENTATION PLANS/TIMETABLES:

- VA is actively implementing on an on-going basis:
  - 15 VA/DOD workshops held to promote sharing
  - Sharing efforts and their advantages have been widely publicized
  - Manual on development of sharing agreements prepared for use by medical centers
  - VA/DOD Newsletter on sharing agreements developed.

HOSP 4-1: Allocate resources using diagnosis related group (DRG)-based case-mix reimbursement.

VA POSITION/COMMENTS:

VA has been actively implementing a DRG-based resource allocation system which will permit DM&S to internally adjust funding mechanisms to account for workloads and increasing hospitalization rates.

IMPLEMENTATION PLANS/TIMETABLES:

The VA is currently developing a DRG-based case-mix resource allocation methodology.

HOSP 4-2: Apply a DRG-based bed need projection model.

VA POSITION/COMMENTS:

VA is currently conducting a comparative test of a DRG-based acute care bed need projection model vs. the current bed sizing model (VA/GAO model).

IMPLEMENTATION PLANS/TIMETABLES:

- o Further testing and development of DRG model necessary.
- o Testing and development will be completed by 10/31/84 and will be included in MEDIPP instructions for planning year beginning 11/1/84.

HOSP 4-3: Develop an improved patient treatment file (PTF) as well as a PTF for long-term care patients.

VA POSITION/COMMENTS:

- o Refinements of the PTF have been underway since before Grace Commission Report.
- o Changes implemented on October 1, 1983 enhanced the data available regarding a patients episode of care by capturing all bed section transfers in addition to discharge data.

IMPLEMENTATION PLANS/TIMETABLES:

- o Further refinements are under consideration and/or development to capture annual data on long-term care patients who have not been discharged during the year.
- o Mechanism to be in place by end of FY'84.

HOSP 4-4: Project acute-care and long-term care bed needs by using the DRG-based projection model.

VA POSITION/COMMENTS:

- o The VA occupancy rate in FY'83 was 81.4% as opposed to the 75% rate the Grace Commission holds as its underlying assumption for this recommendation.
- o Furthermore, budgetary planning is based on occupancy rate projections of 82.4% to 84.4% for FY'84 -FY'86.

IMPLEMENTATION PLANS/TIMETABLES:

DRG-based acute care bed need projection model is currently being tested to determine its viability.

HOSP 4-5: Convert underutilized hospitals to long-term care facilities.

VA POSITION/COMMENTS:

- The Grace Commission's recommendation stems from the assumption on the part of the Commission that the VA's occupancy rate is 75% when it was actually 81.4% in FY'83.

- The VA has converted hospital beds to long-term care beds when, in the Agency's opinion, it was appropriate and cost-effective.

IMPLEMENTATION PLANS/TIMETABLES:

Conversion will continue to be considered in appropriate cases through the MEDIPP process.

HOSP 5-1: Stop constructing new nursing homes.

VA POSITION/COMMENTS:

- VA nursing home construction is necessary to maintain the balance of mix of care and to insure that the full array of services necessary to meet the diverse needs of the aging veteran population are provided.

- VA Nursing Home Care (NHC) has three components: (Established subsequent to 1977 Report to Senate)

  - Community NHC = 39% of total VA NHC
  - State Home NHC = 26%
  - VA NHC = 35%

- Build/lease contracts have been studied and it is estimated that the total government cost of a 20-year leasing arrangement is more than 2.3 times that of a VA-built nursing home.

- Available hospital beds are generally not geographically coincident with the need for additional nursing home beds.

- The costs of conversion are often significantly greater than new construction and VA chooses the least costly alternative.

IMPLEMENTATION PLANS/TIMETABLES:

- VA will continue to convert available hospital beds to nursing home beds when appropriate and cost-effective.

- A contract is being awarded to complete the prototype nursing home designs which will be used for most future NHC units.

- VA is presently studying Office of Construction Organization (See HOSP 5-3).

Senator Garn—Continued

HOSP 5-2: Hire planning assistance and adopt an accurate planning system.

VA POSITION/COMMENTS:

Considerable misunderstanding of the VA planning process exists on the part of the Grace Commission. The VA planning model involves an explicit determination of an appropriate market share and specifically considers the evolution of technology by building in an assumption that technology has affected utilization and will continue to do so.

IMPLEMENTATION PLANS/TIMETABLES:

No action necessary (also see HOSP 4-1)

HOSP 5-3: Reorganize the Office of Construction.

VA POSITION/COMMENTS:

A comprehensive study of the VA's organization and procedures for constructing health care facilities has been initiated. Any necessary action will await the final consultant recommendations. The savings identified by the VA under HOSP 5-3 reflect on-going and planned improvements, such as prototype nursing homes, and the design fund.

IMPLEMENTATION PLANS/TIMETABLE:

Proposals from prospective contractors for the comprehensive study have been submitted and evaluated and a contract was awarded March 20, 1984. The study will be completed approximately 270 days later.

Upon the completion of the study, implementation plans and a timetable will be developed.

The implementation plans for the cost savings items the VA has already underway follow:

o Reduce NHCU construction costs through elimination and revision of unnecessary or excessive construction specifications. Contract study underway, scheduled completion 11/84.

o Inclusion of design fund in 1985 budget. Projected completion 6/85.

o Incorporation of recommendation from Task Force for Cost Reductions in NHCU projects in all future NHCU projects. Already implemented-ongoing.

o Development and use of NHCU prototype design. Savings to be reflected in FY 1986 and future budgets.

HOSP 6-1: VA should redesign its operational structure to support decentralized management in DM&S.

VA POSITION/COMMENTS:

- VA has actively supported decentralized management in DM&S to the extent that it is permitted by statute and regulations as evidenced by:
  - 1979 reorganization of DM&S placing 6 Regional Directors in the field.
  - MEDIPP which permits grass-roots analysis of professional, operational and planning functions.
  - The approval and implementation of 199 recommendations of field managers.
  - Locally determined variations in organizational structures of medical centers.
  - Local determination of workload based on target allowance.
  - The Decentralized Hospital Computer Program.

IMPLEMENTATION PLANS/TIMETABLES:

In view of the success of decentralization in DM&S there is no evidence of a need to redesign the operational structure.

HOSP 6-2: Increase the authority of local hospital directors and provide them with incentives.

VA POSITION/COMMENTS:

- Directors have complete authority in most areas of hospital operations:
  - Allocated funds and resources can be used as needed to meet local demands.
- Limited centralized control required for specific accounts because of selected constraints imposed by OMB and Congress.
- Incentives exist in the form of bonuses available under the SES Performance Appraisal System.

IMPLEMENTATION PLANS/TIMETABLES:

No action necessary.

HOSP 6-3: Draft and propose legislation to eliminate the constraints placed on VA hospitals by Congress.

VA POSITION/COMMENTS:

- Constraints exists in the form of the floors on operating beds and personal services expenditures and the restrictions on travel, ADP procurement, contract hospitalization, CHAMPVA, community nursing home census and FTEE ceiling.

- Most constraints serve to ensure adequate treatment of the veterans and providers of services to the VA and the veterans.

- The elimination of some of the specific program and operational constraints would assist DM&S in its operation.

IMPLEMENTATION PLANS/TIMETABLES:

The effect of various constraints will be reviewed in the course of an upcoming comprehensive Administration study.

HOSP 7-1: VA must assess its mission and determine the course of ADP development.

HOSP 7-2: A task force should be created to develop a data processing plan for DM&S.

HOSP 7-3: Current ADP files must be revamped and redeveloped.

HOSP 7-4: Central authority data management should rest with DM&S.

HOSP 7-5: A representative users group should be established to provide a forum for systems development.

VA POSITION/COMMENTS:

In view of the complexity of these ADP issues, as well as their systematic integration, these recommendations are being commented on collectively.

- In February 1982, a policy of decentralization was adopted to provide clear management authority and responsibility over ADP activities to DM&S and to provide for more participation by medical centers in the development and implementation of automated hospital systems. (HOSP 7-4)

- Special Interest User Groups (SIUG's) were formed to articulate the needs of the various program areas, to insure that field requirements are paramount and addressed in system development plans and to verify that functional requirements have been met. (HOSP 7-5)

- In March 1983, DM&S completed a comprehensive 5-year data processing plan and the "DM&S ADP Plan" was published focusing on the DM&S strategy to rapidly deploy computer hardware and software to over 200 field facilities in the next 2 years. (HOSP 7-1 & 7-2)

- In October/November 1983, ADP planning became an integral part of the "grassroots" MEDIPP cycle to provide both short-term operational planning (budget and procurement) and long-term strategic planning for the Department's ADP efforts. (HOSP 7-1)

- In October 1983, the DM&S Management Information System (MIS) Task Force was established to oversee the development of an integrated management information system which will provide DM&S executives and managers with the tools needed to better manage VA's health care delivery system in a dynamic environment. (HOSP 7-2)

- DM&S reviewed and identified deficiencies and problems with the Patient Treatment File (PTF) and the RCS 14-4. Some improvements have already been executed (See HOSP 4-3), others will be installed with the implementation of the management information system. (HOSP 7-3)
- All VA plans for the improvement of ADP activities in DM&S occurred independent of the Grace Commission's recommendations.

IMPLEMENTATION PLANS/TIMETABLES:

- By October 1985, the DM&S MIS Task Force will have completed its activities relative to the development of an integrated management information system including the review of contractor findings and the selection of the optimal configuration of the system.
- By December 1986, it is expected that Phase I of the MIS implementation will be installed, tested and accepted.
- Phase II, MIS implementation is targeted for completion by March 1987.

HOSP 8: Reducing Medical Supply Inventories in the Federal Hospital System.

The VA depot system should be phased out and more national contracts negotiated as a replacement source of supply. In addition, hospital inventories and ward stocks should be reduced.

VA POSITION/COMMENTS:

The VA is opposed to depot closures because they have proven to be cost effective. The VA concurs that hospital inventories and ward stocks be reduced.

PROJECTED
3 YEAR SAVINGS (IN MILLIONS)

PPSSCC	VA	DIFFERENCE
118.1	-330.0	448.1

IMPLEMENTATION PLANS/TIMETABLE:

The VA will negotiate a contract for an independent study to determine the cost effectiveness of the depot system. Other reductions in inventory will be achieved through administrative action.

HOSP 8-1: Reduce depot inventories.

OMB should reduce the VA supply fund associated with maintaining the VA depot medical supply inventories. Time phasing, through attrition, is necessary. When all medical supplies have been dispersed through attrition, VA depots should be closed. All planned construction and renovation projects related to depots should be halted.

VA POSITION/COMMENTS:

We are opposed to this recommendation. Our records show that the depot system is cost effective. The VA Inspector General validated our records as to the cost savings. A contract will be awarded to a consultant to do a study and independently determine the effectiveness of the VA depot system.

IMPLEMENTATION PLANS/TIMETABLE:

The VA will negotiate contracts to validate the cost effectiveness of the depot system. Completion is projected in eighteen months.

HOSP 8-2: Limit the maximum value of inventory.

Similarly, OMB should withhold approval for the DOD supply fund that would exceed a $100 million medical supply inventory for unique items, as illustrated in the schedule shown in the Savings and Impact Analysis section below.

VA POSITION/COMMENTS:

This recommendation is not applicable to VA.

IMPLEMENTATION PLANS/TIMETABLE.

Not applicable to VA

HOSP 8-3: Negotiate national contracts.

Additional national contracts must be negotiated for use by individual hospitals to replace the depot as a source of supply. This effort must be planned carefully.

VA POSITION/COMMENTS:

Do not concur. See HOSP 8-1. Contracts required by depot closure are held in abeyance until completion of test.

IMPLEMENTATION PLANS/TIMETABLE:

The VA will negotiate contracts to validate the cost effectiveness of the depot system. Completion is projected in eighteen months.

HOSP 8-4: Implement inventory reduction.

The VA Administrator should prepare a detailed plan to implement the recommendation. As VA depot material is used on a regular basis, an instruction not to replenish the depot will result in trimming inventories and eventual elimination of depots. Management objectives should be introduced to accomplish the goal. In addition, a goal of 30- to 45-days of inventory held in Federal hospitals should be established and performance of supply personnel measured against this goal.

VA POSITION/COMMENTS:

This recommendation is two fold. VA does not concur in depot closures. (See HOSP 8-1.) Reduction of hospital inventories to a 30-45 day average is being approached. Average inventory turnover rates on December 31, 1983, were 7.1 which relates to a 51.4 day supply. This compares with 54.2 on December 31, 1982, and 56.4 on December 31, 1981.

IMPLEMENTATION PLANS/TIMETABLE:

Implementation is being approached through administrative action. This project is ongoing.

HOSP 8-5: Introduce management objectives.

Appropriate and achievable management objectives should be introduced by the OASD-HA to ensure a maximum $100 million inventory of unique items at depots and a 30- 45-day inventory level of medical supplies at the hospital level.

VA POSITION/COMMENTS:

This recommendation is not applicable to VA.

IMPLEMENTATION PLANS/TIMETABLE:

Not applicable to VA.

HOSP 8-6: Require in the use of the cart system to maintain inventories in hospital user areas.

Standard procedures requiring the use of cart or "PAR" systems should be introduced by VA and the Surgeons General to reduce the amount of inventory held in hospital user areas.

VA POSITION/COMMENTS:

VA does not concur in the $2 million investment in cart systems. VA presently has 55 exchange cart systems in place. There are 51 exchange cart systems used in combination with a "PAR" system and 4 use cart exchange 100% of the time. A continuing review concerning implementation of the above is accomplished as part of all renovations or new construction. Savings will be achieved through related initiatives without purchasing stand alone cart systems.

IMPLEMENTATION PLANS/TIMETABLE:

This is an ongoing program for the review of renovations and new construction. Savings will be achieved through improved monitoring of the "PAR" system and automation of SPD. Projected completion is January 1987.

HOSP 8-7: Halt the planned renovation of the VA Depot at Hines, Illinois.

As the Task Force was completing its report, it came to our attention that a scheduled renovation and expansion of the medical supply depot at Hines, Illinois, was due to begin in January 1983, at a cost of $9 million. This project should be halted immediately until the recommendations in this Report have been considered.

VA POSITION/COMMENTS:

VA does not concur. The Hines renovation was 71% complete as of December 31, 1983, and should be in use by June 15, 1984. Results of validation test (see HOSP 8-1) will not be available for at least a year after that date. This project adds to the value of the Hines facility regardless of the user. After a meeting with the project director from the PPSSCC in the fall of 1982, the Associate Deputy Administrator for Logistics requested information from the project director that would support termination of the project. The project director provided no information at all and the Associate Deputy Administrator for Logistics, therefore, had no information upon which to base a decision to halt this project.

IMPLEMENTATION PLANS/TIMETABLE:

VA does not concur in this recommendation.

HOSP 9: Medical Supply Spending.

Federal hospitals rely too heavily upon open market purchases and should expand the use of centrally negotiated national contracts. Items should be identified for this purpose and comparisons made of pricings between the Federal and private sector. ADP methods should be improved to take advantage of total Federal hospital requirements. VA and DOD should establish a joint task force to implement necessary changes.

VA POSITION/COMMENTS:

The VA concurs with the majority of the recommendations and has already increased the number of items on FSS contracts. VA medical centers are purchasing from national contracts and depots at the PPSSCC recommended level, but there is room for further improvement. The VA does not agree that an implementation task force is necessary.

PROJECTED
3 YEARS SAVINGS (IN MILLIONS)

PPSSCC	VA	DIFFERENCE
157.2	25.0	132.2

IMPLEMENTATION PLANS/TIMETABLE:

Additional emphasis will be placed on national contracts. The VA will contract for an independent study to compare Federal and private sector pricings. Improved ADP capability will be achieved in FY 1987.

HOSP 9-1: Identify items that should be added to national contracts.

Federal hospitals should be directed to perform a manual analysis of purchasing records to determine the most commonly used and expensive medical supplies purchased on the open market over the most recent 12 calendar months. In view of the fact that only a small number of items make up the major costs, it is possible to manually review and find those more significant items being purchased locally. Our statistics from a sample group of hospitals show monthly order volumes of only 500 to 1,500 items. Many of the same items are bought repetitively. A group of perhaps 200 to 300 candidate items from each hospital would be worthy of immediate consideration for purchase on national contracts.

VA POSITION/COMMENTS:

VA concurs in this recommendation. VA medical centers are purchasing from national contracts and depots at the level recommended by the PPSSCC. Increased use of national or regional contracting may be possible on approximately $70 million in locally procured items.

IMPLEMENTATION PLANS/TIMETABLE:

This is an ongoing program. National contracts are being monitored. Additional emphasis will be placed on medical center requirements.

HOSP 9-2: Compare Federal and private sector contracts.

As there is a great similarity in supplies required by all hospitals, and as private sector hospital management firms have been more successful in placing a larger proportion of these requirements on national contracts, they should be used as a source of information and comparison. National contracts negotiated by the Federal system should be compared to those of the private system while additional national contracts must be expeditiously negotiated for those items included in private sector central contracts that are now purchased locally by Government hospitals. This procedure should begin immediately in order to achieve cost reductions in the very near future.

VA POSITION/COMMENTS:

The VA has a large proportion of national contracts, but we concur more national contracts can be written. A review of private sector contracts will be made to see if they are advantageous to the Federal government. The VA will implement changes that do not violate Federal Law.

IMPLEMENTATION PLANS/TIMETABLE:

Between January 1984 and June 1984 the VA will contract to compare procedures and prices of the private sector as opposed to the VA. July 1984 to December 1984 the VA will implement changes that do not violate Federal Law.

HOSP 9-3: Establish an implementation task force.

The agency heads of VA and DOD should establish a joint task force (similar to the "Shared Procurement Committee") with the specific authority and responsibility to implement improvements reflected herein. The Shared Procurement Committee is mentioned because it has recent successful experience in accomplishing cooperative procurement for all Federal hospitals. This combination will result in maximum savings to the Government. IHS should also participate or be kept informed to achieve similar savings. This task force must have authority to take any action necessary to accomplish the savings that will result from increased use of national contracts (see HOSP 2).

VA POSITION/COMMENTS:

VA does not concur. The VA/DOD Share Procurement Task Group, composed of 5 working committees, divided responsibility for writing contracts for merchandise stocked in VA and DOD depots. The task group determined that the responsibility for National contracts for pharmaceuticals and medical supplies should be solely assigned to the VA. DOD has many ordering activities that use National contracts prepared by the VA. There is a close line of communication between VA and DOD that we will continue to use.

IMPLEMENTATION PLANS/TIMETABLE:

The VA is presently responsible for writing National contracts for pharmaceuticals and medical supplies.

HOSP 9-4: Improved ADP programs and methods.

Decentralized ADP capability has been authorized by the Administrator of the VA. The system to be used for procurement and supply at VA should be compatible with DOD ADP (i.e., a common data base, common language and common supply-item numbering system) to take full advantage of standardization and quantity price breaks based on total Federal hospital requirements. This effort should concentrate on adopting simple, inexpensive ADP program and methods that will provide the information necessary to control local-level open-market procurement activity (see HOSP 7).

VA POSITION/COMMENTS:

VA concurs with reservations. VA has begun a nationwide project to apply ADP to procurement functions which will result in improved visibility. Hardware is now being procured for all stations. Networking of local procurement information will be possible in 1987 at which time we can expect cost savings to result. Once our system is further established we will review the feasibility of networking with DOD.

IMPLEMENTATION PLANS/TIMETABLE:

November 1982 to December 1984 develop software to be used with mini-computers for an automated procurement system. January 1985 to January 1987 install software for automated procurement as medical centers receive SPD systems. January 1986 to December 1987 review the feasibility of networking with DOD.

HOSP 9-5: Increase the use of national contracts.

Agency heads should establish the increased use of national contracts for procurement as a key objective, and encourage a reduction in local level open market purchasing. Private sector hospital corporations recognize this as a key measure of procurement management effectiveness. Achieving a reduced reliance on open market purchasing and greater use of national contracts should be used as an objective measure of supply personnel performance.

VA POSITION/COMMENTS:

VA concurs. VA has added many new items to FSS contracts for use by VA and other Federal Facilities. Performance standards for Supply Chiefs will be changed to reflect requirement for increased use of national contracts.

IMPLEMENTATION PLAN/TIMETABLE:

The addition of new items to the FSS is an ongoing project. Between February 1984 and September 1984 the performance standards for chiefs of supply will be changed to reflect the new requirements.

HOSP 12-1: Establish new VA reimbursement rates

VA POSITION/COMMENTS:

DM&S had embarked on the development of a system for reimbursing non-VA hospitals based on the payment mechanism and rates of the Medicare DRG-based Prospective Payment System (PPS) before the issuance of the Grace Commission's recommendations.

IMPLEMENTATION PLANS/TIMETABLES:

This complex reimbursement system is scheduled for implementation by September 30, 1984.

Senator Garn—Continued

HOSP 12-2: VA should contract with intermediaries.

VA POSITION/COMMENTS:

- Contrary to the Grace Commission Report, VA costs to process claims are currently in the same range as the average costs for processing by fiscal intermediaries (FI's):
  - The cost of handling a claim for non-VA hospital care from the point after eligibility has been determined is about $4.77 (including 10% overhead).
  - The cost of handling a claim for non-VA outpatient care from the point after eligibility has been determined is about $1.83 (including 10% overhead).

IMPLEMENTATION PLANS/TIMETABLES:

VA has no immediate plans to use FI's; it would be necessary to test the use of an FI before implementation plans could be made.

HOSP 13-1: Medical Cost Care Recovery in VA

VA POSITION/COMMENTS:

Need for additional legislation to prohibit exclusionary clauses in private insurance contracts was obviated by provisions of PL 97-72 and PL 96-330.

IMPLEMENTATION PLANS/TIMETABLES:

The Administration is reviewing third party liability government-wide. Future plans for the VA are dependent on the outcome of this review.

HOSP 13-2: Set up procedures to determine the ability to pay.

VA POSITION/COMMENTS:

VA and OMB have agreed upon an appropriate methodology for implementing Section 401 of P.L. 96-330 which amended 38 USC 622 and permits the VA to conduct a means test of certain veterans.

IMPLEMENTATION PLANS/TIMETABLES:

Test to be conducted of methodology for determining ability to pay.

HOSP 13-3: Study the advisability of a new cost accounting system.

VA POSITION/COMMENTS:

Enhancements to PTF and RCS 14-4 currently underway; individual patient costing system to be reviewed for cost benefit.

IMPLEMENTATION PLANS/TIMETABLES:

Implementation to be determined based on results of current enhancements and future system needs.

VA 1-1: Revise work measurement system.

VA 1-2: Use revised work measurement system to manage field station operations.

VA 1-3: Implement a comprehensive system of performance appraisal.

VA POSITION/COMMENTS:

The Grace Commission Report questioned the design of DVB's work measurement system and utility of the information generated for performance management. While we believe the system is useful, the credibility of the system requires validation. We will proceed to implement. Recommendations VA 1-2 and VA 1-3 are dependent on VA 1-1.

Cost-savings were not estimated for individual recommendations. The Grace Commission estimated total three-year savings of $271.7 million--later revised by OMB conference to $85.5 million. These savings are not the direct result of any change to the work measurement system but would result from reductions in staffing which are implied as the consequence of a different work measurement system. DVB was directed to absorb a reduction of 1,000 FTE in FY 1985.

IMPLEMENTATION PLANS/TIMETABLES:

A RFP (Request for Proposal) is being developed to contract a study of the work measurement system. The cost of such a contract and the cost of implementing any recommended changes will be significant but are unknown. We do not foresee any cost-savings in the next three years as a consequence of this recommendation but rather expect an increase in costs to implement.

The RFP is scheduled for release July 1984. All other actions are dependent on subsequent developments.

VA 2-1: Conduct a detailed study of the errors involved in benefits payments.

VA POSITION/COMMENTS:

The merit of knowing the causes of errors in benefit payments is obvious and we agree that our continuing review of the causes of errors should be enhanced by a special study.

The Grace Commission's three-year savings for all three recommendations under the issue VA-2, Error Prevention, were estimated to be $1,484 million. These was revised in OMB conference to $100 million. The real magnitude of savings associated with an increased effort in error prevention is unknown. Action would be predicated on study findings and we would expect that an increased effort in the prevention of errors would increase operating costs.

IMPLEMENTATION PLANS/TIMETABLES:

We have agreed to study the types and causes of errors. The study is being designed. Neither the costs nor the savings which may result from the study are known. Completion is scheduled for October 1985.

VA 2-2: Implement all computer matching opportunities.

VA POSITION/COMMENTS:

The exchange of computer data is a concept that is fully supported by the VA.

The costs and savings of this recommendation were not isolated in the report.

IMPLEMENTATION PLANS/TIMETABLES:

DVB has been developing memos of understanding to exchange data for payment of black lung benefits, civil service annuities and railroad retirement benefits. Procedures should be available in September 1984. Effective July 1984, the Department of Defense exchange on military retirees will be expanded to include all reopened as well as original compensation cases.

VA 2-3: Improve the quality control and education payment areas.

VA POSITION/COMMENTS:

The Grace Commission recommends that this objective be achieved by creating a special audit group at each regional office which would review each award prior to payment. The Agency supports improved quality but the imposition of another layer of review would not only have a significant effect on operating costs but would cause delays in the release of payments to eligible beneficiaries. Equally significant is the fact that many "errors" are out of the control of the Agency because of our dependence on institutions and beneficiaries to report changes.

Costs and savings associated with this recommendation were not isolated in the report.

IMPLEMENTATION PLANS:

Improved quality will be pursued through the review of statistical quality control data and existing standards to impose more rigorous quality control criteria.

VA 3-1: Establish a new accounting management structure for VA debt.

VA POSITION/COMMENTS:

The Grace Commission recommends that the accounting management system be changed so as to avoid carrying "old" debts which are virtually uncollectible as accounts receivable. We agree that the accounting system should be modified to more accurately reflect the status of an account receivable.

The Grace Commission recognized that there were no savings associated with any of the five recommendations under the issue VA-3, Debt Collection. The OMB conference identified a total three-year cash acceleration of $180 million. We do not expect to realize significant savings from the debt collection issue.

IMPLEMENTATION PLANS:

Computer system changes to implement this recommendation will be specified in March 1984. Implementation is scheduled for October 1984.

VA 3-2: Assign responsibility for debt collection to the field stations and provide necessary tools and procedures to support this responsibility.

VA POSITION/COMMENTS:

The Grace Commission recommends that debt collection be decentralized to field stations. At one time this was the case in DVB. Due to the size of the debt collection workload and the requirements of both the Federal Claims Collection Act of 1966 and Title 4, Code of Federal Regulations, we found it more cost-effective to centralize and automate the debt collection activity.

Cost-savings were not isolated for this recommendation in the report.

IMPLEMENTATION PLANS:

We do not feel that shifting the debt collection activity to field stations would be beneficial. To shift these activities from the centralized location in St. Paul, Minnesota, would require extensive expansion of access to the Centralized Accounts Receivable System and a substantial increase in manpower.

VA 3-3: Assign all debts over one year old to outside collection agencies.

VA POSITION/COMMENTS:

The Grace Commission recommends the VA contract with outside collection agencies to attempt collection recovery of old debts.

Cost-savings were not isolated for this recommendation in the report.

The VA's accounts receivables, with the exception of education loan defaults or loan/direct loan defaults, are unlike debts in the private sector, which for the most part, are delinquent credit charges based on either a written or implied contract. The VA's accounts receivables are primarily a result of overpaying VA benefits which are not contractual. In the event of a dispute, the burden of proof falls on the VA. Therefore, an outside collection agency could not respond to a dispute without referring the debtor back to the VA. This would result in additional costs over and above current VA collection costs regardless of the success or failure of the outside collection agency. The VA would also be required to keep data current on all debts referred to the outside agency, resulting in additional costs. There is no evidence to support the theory that outside collection agencies would be more successful at collecting "old debts" than the current system within the VA. Also, very few, if any, outside collection agencies will handle strictly "old debts" since their costs of collecting debts over a year old are considerably higher due to locator activities involved.

IMPLEMENTATION PLAN:

We do not feel this recommendation would be cost-effective or beneficial to the VA's debt collection effort. Therefore, there are no plans to implement.

VA 3-4: Adjust the monetary limit for transferring jurisdiction to the Department of Justice.

VA POSITION/COMMENTS:

The Grace Commission recommended that the VA should seek to raise the $1,200 limit on cases which may be handled within the VA. The Agency believes this to be a good recommendation which should be implemented.

The cost-savings for this recommendation were not isolated in the report.

IMPLEMENTATION PLANS:

A written request for this authority was sent to the Attorney General June 8, 1982. The Agency would expect to increase its workload but would realize a more rapid and expanded prosecution of debtors. The overall result would be a more creditable enforcement program.

VA 3-5: When legal action is instituted to collect debts, it should be carried through execution of the judgment.

VA POSITION/IMPLEMENTATION PLANS:

The Agency is in full agreement with this recommendation and has been taking such action for over two years under the authority of Public Law 96-466.

Since implementation is not an initiative, there are no savings.

VA 4-1: The VA should only acquire properties at foreclosure sales when it is in the best interest of the taxpayers. This situation will occur when there is clear evidence that the bids entered at a foreclosure sale are for some reason not representative of current market conditions, or when the bid price of the property is less than the amount owed to VA adjusted for all acquisition property management and sales expenses.

VA POSITION/COMMENTS:

The Grace Commission recommended that the VA not acquire property as a matter of policy. The VA contested the savings and countered that payment of the full claim with little expectation of recovering the debt charged against the veteran would be a dramatic increase in the cost to the Government.

The three-year savings estimated by the Grace Commission were $225 million. These were escalated in OMB conference to $582.3 million. The Agency maintains there are not savings and estimates a net increased cost.

IMPLEMENTATION PLANS/TIMETABLES:

Implementation was proposed for FY 1984 with the understanding that the policy of no acquisition would be governmentwide. A task force has been established with OMB, VA, FHA, and FMHA membership. That group will establish common procedures for property acquisition and foreclosure.

VA 5-1: Schedule regular sales for all portfolio loans.

VA 5-2: Simplification of pooling loans should be pursued.

VA POSITION/COMMENTS:

The Grace Commission recommended that portfolio loans be sold each quarter with maximum dollar amounts and maximum rate variance criteria dictating time of sale. Revenues would be enhanced if the VA were to act as a GNMA security.

Three-year revenues were estimated by the Grace Commission to total $953 million. The OMB conference eliminated revenues due to the fact the recommendation was technically infeasible.

IMPLEMENTATION PLANS:

Neither the VA nor OMB supported these recommendations. VA has been receiving maximum expected proceeds from sales. Also sales are scheduled in coordination with OMB and the Department of the Treasury in the best interests of the Government. The issuance of mortgage-backed securities by the VA is precluded by law.

VA 6-1: The NSLI and VSLI programs should cover their administrative costs.

VA POSITION/COMMENTS:

The recommendation that the National Service Life Insurance and Veterans Special Life Insurance programs cover administrative costs would have diverted funds from the dividends of the insureds.

The three-year savings estimated by the Grace Commission were $84.7 million.

IMPLEMENTATION PLANS:

Title 38, U.S.C., § 782, requires the Government bear the cost of these insurance programs. The Agency holds that this issue rests with the courts. OMB stated that the recommendation is legislatively infeasible.

VA 7-1:	Establish a VA Steering Committee
VA 7-2, 7-3:	Improve application planning, selection and development
VA 7-4:	Integrate VA hardware into high speed communications
VA 7-5:	Integrate ADP system across VA
VA 7-6:	Establish a hiring moratorium re CORE hospital systems

VA POSITION/COMMENTS:

No savings were estimated by the Grace Commission.

The VA generally agrees with the Grace Commission's recommendations.

IMPLEMENTATION PLANS/TIMETABLES:

1) an Administrator's Council on Management and Administration was established in 8/83 (VA 7-1)

2) an ADP and Telecommunications User Group was established on 12/83 (VA 7-1)

3) a capacity management program to meet information processing requirements is being developed (12/83 to 9/84) (VA 7-2-3)

4) an Information Technology Center was established on 1/84 to provide easily accessible computer resources Agency-wide

5) a cost effectiveness and feasibility study for the VA integrated data transmission network is being conducted (11/83 to 8/84) (VA 7-4)

6) funds and FTEE were shifted to support the installation of the Decentralized Hospital Computer Program, beginning 12/83, in compliance with the Congressional mandate, Amendment 40 to HJ631RH, 12/83

Regarding the recommendation to integrate the ADP system across the VA (VA 7-5), the Agency goal is to integrate systems and data bases whenever it is technically or financially appropriate and contributes to improved management.

VA 8-1:	Define roles and responsibilities of line and staff organizations
VA 8-2:	Implement Agency-wide workload management system
VA 8-3:	Consolidate staffs into functional areas

VA POSITION/COMMENTS:

No savings were estimated by the Grace Commission.

The VA generally agrees with the Grace Commission's recommendations.

IMPLEMENTATION PLANS/TIMETABLES:

1) staff offices were realigned in 4/83. Three functionally aligned Associate Deputy Administrator positions replaced five. The Deputy Administrator was made the Chief operating officer of the Agency. Responsibilities of line vs. staff were clearly defined by directive (VA 8-1)

2) the VA Organization Manual is being revised to reflect current structure and nomenclature throughout the staff offices (in process as of 3/84) (VA 8-1)

3) in-depth analyses of areas identified that overlap in functional responsibilities are planned during FY 84 (VA 8-1)

4) as part of the Agency's Integrated Management System, program indicators were identified which measure the accomplishment of major program objectives on a quarterly basis. This ongoing program was initiated in 10/82 (VA 8-2)

5) staffs were consolidated into functional areas through the action of the realignment of 4/83 (VA 8-3)

These actions were begun or completed prior to and independent of the Grace Commission as part of the normal management of the Agency.

OMB REQUEST

Question: Would you please identify each of the differences in your budget from the level you recommended to OMB?

Answer: See attached chart

VETERANS ADMINISTRATION
ANALYSIS OF 1985 BUDGET REQUEST
BUDGET AUTHORITY

(Dollars in millions)

Account	OMB Request BA	OMB Request FTEE	President's Budget BA	President's Budget FTEE	Increase/Decrease BA	Increase/Decrease FTEE
Benefits Programs:						
Compensation	10,379	...	10,373	...	-6	...
Pensions	4,009	...	4,006	...	-2	...
Burial benefits	142	...	142	...	...	...
Readjustment benefits	1,275	...	1,270	...	-5	...
REPS 1/	...	...	...	...	...	...
Insurance & indemnities	11	...	11	...	...	...
Loan Guaranty	...	...	...	...	...	...
Veterans job training	145	...	...	...	-145	...
Medical Programs:						
Medical care	8,950	193,684	8,767	193,321	-183	-363
Medical and prosthetic research	208	4,902	193	4,595	-15	-307
MAMOE	81	892	73	876	-8	-16
Grants for State extended care	22	...	35	...	+12	...
Grants for the Philippines 2/	...	...	...	...	...	...
Canteen	...	3,530	...	3,530	...	...

Construction Programs:						
Construction, major projects	759	25	620	25	-139	...
Construction, minor projects	203	848	202	829	-1	-19
GOE & Miscellaneous:						
GOE	786	20,528	757	19,500	-28	-1,028
Grants for state veterans cemeteries	5	...	5	...	...	...
Supply fund	...	643	...	620	...	-23
Trust Funds:						
PVEVA	228	...	226	...	-3	...
General post fund	10	...	12	...	+2	...
NSLI	1,267	...	1,267	...	...	...
USGLI	21	...	21	...	...	...
PROPRIETARY RECEIPTS:	-668	...	-668	...	...	...
Intragovernmental Transactions	-69	...	-66	...	+3	...
Total	27,764	225,052	27,246	223,296	-518	-1,756

1/ No estimates are included for REPS. The 1985 resources for this program are included in the Department of Defense budget.

2/ Less than $1,000,000.

Question: In those instances where OMB recommended a reduction, indicate the specific impact of such reductions.

Answer:

VETERANS JOB TRAINING

The request for Veterans job training was reduced by $145 million and the Readjustment benefits request was reduced by $5 million. These reductions are both related to the $150 million authorized by Public Law 98-77, which established a veterans job training program and allowed veterans in an associate degree program that is primarily vocational in nature to participate in the delimiting date extension authorized by Public Laws 97-72 and 97-306. The Agency's request to OMB included this $150 million. The impact of this reduction on the jobs training program is expected to be minimal since continuing improvement in the economy will result in lower unemployment among Vietnam era and Korean conflict veterans and, as a result, funding should not be required in 1985.

MEDICAL CARE

The 1984 President's budget request of $8,767,435,000 and 193,321 FTEE reflects a reduction of $182,898,000 and 363 FTEE from the amount recommended to OMB. The impact of these reductions are reflected in the following areas:

Medical District Initiated Program Planning (MEDIPP) Initiative	Amount	FTEE
	$-20,452,000	-225

A reduction of $20,452,000 and 225 FTEE were made to MEDIPP identified initiatives. In the submission to OMB, input from the facilities was reflected as part of the MEDIPP process for the first time. The initiatives resulting from the process would have provided for an additional 113,000 outpatient visits and an additional 582 patients treated, and would have required $12,441,000 and 268 FTEE. The MEDIPP process also identified the need for an additional 800 census in the Community Nursing Home Care Program at a cost of $19,252,000. The total resources requested for these MEDIPP initiatives were $31,693,000 and 268 FTEE.

The 1985 President's budget provided resources of $11,241,000 and 43 FTEE for an additional 21,500 outpatient visits ($1,935,000 and 43 FTEE) and a community nursing home care census increase of 400 ($9,306,000).

	Amount	FTEE
Legislative Initiatives	$-17,959,000	-134

The 1985 budget request to OMB included $33,066,000 and 134 FTEE for legislative initiatives. The 1985 President's budget provides $15,107,000 for these initiatives. Public Law 98-160 expanded the Adult Health Day Care program, increased State home per diem rates, improved recruitment and retention of health care personnel and established an advisory committee of female veterans. Total requirements for P.L. 98-160 in 1985 were estimated to be $31,158,000 and 110 FTEE. The President's budget includes $15,107,000 for the increased State home per diem rates.

Public Law 94-581 authorized an increase of 100 FTEE each for optometry and podiatry staff which would be accomplished in phases. The 1985 request included $908,000 and 12 FTEE for optometrists, and $1,000,000 and 12 FTEE for podiatrists. These requests were denied by OMB.

	Amount	FTEE
Other Initiatives	$-6,957,000	...

The 1985 request to OMB included $6,957,000 for other program improvements which were denied. A total of $1,906,000 was requested for the acquisition of 50 Versabraille and Kuzweil reading machines for the improvement of services for blinded veterans. A total of $5,051,000 was requested for implementation of the Automated Electrocardiographic Interpretive system, and a Supply Processing and Distribution system.

	Amount	FTEE
Equipment Backlog	$45,055,000	...

The 1985 budget request to OMB included an additional $57,475,000 to primarily meet the Department of Medicine and Surgery's replacement equipment requirements. This initiative would have supported growing equipment needs at existing facilities. The resources requested would have funded 50 percent of the total 1985 replacement equipment requirements. The 1985 budget increase of $12,420,000 over the current service level will support 39.6 per cent of the replacement equipment needs.

	Amount	FTEE
Other Reductions	$92,475,000	-4

Other reductions amounted to $92,475,000 and four FTEE. The most significant reductions included in this category are as follows:

> A $67,524,000 reduction was made to a $117,507,000 request for increasing drug and medicine costs, contributions for new federal employees in the Social Security System, higher contract hospital per diem rates and increases in communication costs. Partial funding was provided for the additional 1985 costs of social security ($42,546,000 in 1985) and higher per diem rates in contract hospitals ($7,437,000 in 1985).

In prior budgets, resources were provided for increased usage. Increased usage reflects the rise in medical care costs attributable to the utilization of new technology in the care of patients. The budget shows that inflationary cost increases were based upon the Government's Federal Non-Defense, Non-Pay Purchases Deflator index. This change resulted in a $14,413,000 reduction.

The budget request was reduced by $7,829,000 as a result of the Grace Commission's recommendation to reduce personnel in grades 11 through 15. The dollar savings reflect not only a reduction of GS personnel in GS grades 11 through 15, but also includes Title 38 equivalents. A reduction in the salary and grade structure for Title 38 employees will probably impact the recruitment and retention of quality medical personnel.

MEDICAL & PROSTHETIC RESEARCH

Total reductions of 307 FTEE and $14,873,000 appear between the amended OMB request and the President's budget. They are identified as follows:

	Amount	FTEE
Medical Research	$-13,345,000	-269

Investigator initiated research was reduced by 204 FTEE and $9,721,000, resulting in a reduction of 100 projects and a reduction in funding for some others. Cooperative studies will do one less project and will delay four others to absorb the reduction of 40 FTEE and $2,059,000. Agent Orange was reduced by 25 FTEE and $1,563,000. This will require extending the completion date of 10 projects and three contracts.

	Amount	FTEE
Rehabilitation Research	...	-11

The 11 FTEE reduction will necessitate contracting out two projects in Prosthetics/Amputation, one in Spinal Cord Injury and two in Sensory Aids.

	Amount	FTEE
Health Services Research	$-850,000	-7

Two planned projects relating to care of the aging will not be accomplished because of a five FTEE and $250,000 reduction; the technology transfer program will eliminate three projects as the result of a two FTEE and $600,000 reduction.

MAMOE

The reduction of $7,510,000 and 16 FTEE will primarily offset the following areas:

> The requested employment increase of 32 FTEE was reduced to 16. This reduction will reduce the requested additional Central Office Administrative support for VA Medical Centers, construction programs, the extended care program, Health Services Research, Adult Health Care Programs and the Health Professional Scholaship Program.
>
> OMB denied $2.2 million for all new initiatives for a management information system until a total Agency Management Information Improvement Project (MIIP) is completed.
>
> An OMB reduction of $3.4 million in Postgraduate and Inservice Training (PIT) will result in a reduction of planned episodes of training.

GENERAL OPERATING EXPENSES

Within GOE, only the Department of Veterans Benefits (DVB) is taking a reduction from the base in 1985. The Department of Memorial Affairs and the General Administration budget proposals of staffing increases of 25 and 91 FTEE over 1984 are approximately half of the increases requested of OMB. The impact of the reductions made by OMB are varied but do not impede the delivery of services to veterans nor the related administrative activities. In DVB, the reduction of 900 FTEE from the 1985 request relates to implementation of the Grace Commission recommendations and other management improvements agreed to by the Agency. The only reduction which reflects a significant policy change is in the Loan Guaranty (housing) program. The reduction of 136 FTEE reflects the elimination of property acquisition and other related changes (this policy change is now awaiting government-wide coordination through OMB at VA's insistence). The other FTEE reductions are expected to be made through productivity and management improvements without significant impact on the delivery of services for veterans.

CONSTRUCTION, MAJOR

The OMB recommended decrease for Construction, major of $139 million resulted in the deletion of one major modernization project (Baltimore), the deferral of another major modernization project (Philadelphia), the deletion of DVB regional office relocations and the planned cemetery land purchases, and a decrease in the inflation rate used to estimate project costs.

CONSTRUCTION, MINOR

The OMB recommended decrease of $1 million in Construction, minor budget authority resulted in the decrease of 19 FTEE.

QUESTIONS SUBMITTED BY SENATOR DOMENICI

VETERANS COMPENSATION

Question: The FY 1984 Congressional Budget Resolution assumed that future compensation cost-of-living increases would be effective on December 1, beginning in 1984 (increase would be in January check). The recently enacted Veterans' Compensation and Program Improvements Amendments, Public Law 98-223, included sense of the Congress language that this policy be implemented. What are the Administration's reasons for opposing this proposal?

Answer: During FY 1984 increases in compensation and pension, which previously took place yearly, were delayed by six months, making the interval between increases eighteen months. Pension increases are linked to social security increases and will resume the yearly increase schedule with FY 1985. If the compensation increase for FY 1985 occurs on December 1, 1984, compensation recipients will receive an increase only nine months following the FY 1984 increase on April 1, 1984. We do not believe that cost-of-living increases should be effective more frequently than once per year.

VETERANS READJUSTMENT BENEFITS

Question: The President has requested a 15 percent rate increase for Vietnam-era GI Bill education benefits, effective January 1, 1985. The Senate Veterans' Affairs Committee has recommended a 10 percent rate increase effective October 1, 1984.

1. Could the Administration support the Senate Veterans' Affairs Committee proposal?

2. Why or why not?

Answer: The Administration cannot support the Senate Veterans' Affairs Committee proposal for a 10 percent rate increase effective October 1, 1984. The Administration's position is that only a 15 percent rate increase effective January 1, 1985 provides the necessary rate increase within acceptable budgetary limits.

By 1985 yearly educational costs at institutions of higher learning, which enroll the majority of veterans and eligible persons in receipt of benefits, are expected to have increased by nearly 63 percent since the last rate increase. A 15 percent increase in GI Bill education benefits is clearly justified. In light of the need to control the growth of the budget and of the fiscal needs of other veterans' benefits programs, an effective date of January 1, 1985 is more appropriate than an earlier effective date for the rate increase.

VETERANS HOUSING

Question: The VA Housing Loan Guarantee Revolving Fund (LGRF) is expected to require external financing in FY 1984. Is the Administration preparing a request for a FY 1984 supplemental appropriation for the VA Housing Loan Guaranty Program?

Answer: A supplemental request for 1984 is currently being processed to fund loan guaranty operations.

Question: If so, when will the request be submitted to Congress?

Answer: The supplemental request will first have to be reviewed by OMB prior to submission to the Congress.

Question: What is the estimated amount of the supplemental request?

Answer: The 1984 supplemental request is for $260 million, of which $135 million will be used for FY 84 program obligations. The remaining $125 million will be used as reserves for the start of FY 85 operations.

Question: The President's FY 1985 budget request proposed significant reforms in federal lending practices that would affect the VA Housing Loan Guaranty Program. The Administration subsequently postponed implementation of these reforms from March 1, to October 1, 1984. Will the Administration submit a budget amendment to the Congress reflecting this postponement?

Answer: Yes, an amended budget will be submitted.

Question: Could the Administration provide the Congress with out-year projections of the status of the loan guaranty revolving fund under existing policies?

Answer: The estimated funding requirements for FY 1985 through FY 1989 are as follows:

Fiscal Year	($000's) Appropriation Request
1985	$500,000
1986	459,800
1987	436,800
1988	428,900
1989	377,900

Senator Domenici—Continued

Question: If these projections show fund deficits, what source of financing would the Administration favor - appropriations, borrowing from the Treasury, and/or use of loan origination fees - and why?

Answer: It is felt a direct appropriation into the fund would be the best method of funding the program. Monies could be borrowed from Treasury, but interest would have to be paid on amounts borrowed, thus increasing the fund's expenditures. If loan origination fees were credited to the fund, it would reduce but not eliminate the need for an appropriation.

VETERANS MEDICAL CARE

Question: The Veterans Administration (VA) is currently preparing a strategic planning study on how it will meet the health care needs of aging veterans. When will the VA submit this planning study to the Congress?

Answer: The VA plan for caring for aging veterans is in its final stages of development, and we expect to submit it to the Congress when it is completed this Spring.

Question: Can you describe the scope of this study and some of the issues VA will address?

Answer: The plan projects the needs for all VA programs, not just health care, during the period 1990-2020 when the effect of the aging veteran population on overall demand for our services will reach its greatest levels. Some of the issues addressed by the study are: 1) The best strategy for meeting identified needs; 2) maximizing the coordination and integration of VA programs for the aging veteran in the community; and 3) increasing awareness of the opportunities for joint and coordinated activities between the Departments of Veterans Benefits and Medicine and Surgery.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question: The Portland Vet Center has been a highly successful assistance program serving nearly 110,000 veterans in the greater metropolitan area. However, only 4 FTEE staff are currently allocated to the Portland Center and therefore staff are limited in the number of individuals and type of cases which they can handle. How are FTEE's distributed among the Vet Centers nationwide? Is a universal population criterion used, or is staff allocated on the basis of other "Needs" requirements?

Answer: There are 574 FTEE earmarked for the Vet Center Program nationwide. The average Vet Center is usually staffed by 4 or 5 FTEE. The staffing of a Vet Center is based on:

1) Size and density of the Vietnam era population within a specific catchment area;

2) Presence or absence of a VA facility (VA health care facility or regional office) and;

3) Numbers of Vietnam era veterans seeking readjustment counseling.

Question: Have any funds been transferred, reprogrammed or otherwise diverted from accounts affecting staff levels for the Vet Centers during the past two years?

Answer: No funds have been transferred, reprogrammed, or otherwise diverted from Vet Center staffing since inception of the program.

Question: Besides any possible monetary limitations, are there any other impediments (e.g., legislative/administrative staff caps) to provide additional staff support to Vet Centers such as Portland? Are such caps generic or specific to the Vet Centers?

Answer: The Readjustment Counseling Service currently has 574 FTEE available to meet staffing needs to support Vet Centers such as Portland. These FTEE support 135 Vet Centers, with one more scheduled to open in Duluth, Minnesota on May 29, 1984. Future expansion of this program is currently being studied by the Administrator. Congress will be kept abreast of developments concerning any realignment of resources.

Question: If staffing caps are, in fact, imposed specifically on Vet Centers, is there any way in which allocations could be made within the cap which would provide staffing assistance to Vet Centers in areas of high density beneficiaries?

Answer: The employment ceiling levels can be reallocated within the 574 ceiling to the Vet Centers but this is not practical, because most centers operate at capacity levels.

VA REGIONAL OFFICE STAFFING

Question: Could you please provide a breakdown of the staff changes which are proposed for the Portland Regional Office by the FY 85 budget? Please list the net staffing changes and the areas of expertise which will be involved in any changes.

Answer: A breakdown of the staff changes which are proposed for the Portland Regional Office are as follows:

Adjudication Division

1 - Rating Board Specialist GS-12
1 - VCE GS-9
2 - File Clerks GS-3
½ - Stat Clerk GS-5

Director's Office

1 - Ass't Director GS-14

Support Services Division

1 - Clerk Typist GS-3
1 - Coding Clerk GS-4

Loan Guaranty

1 - Clerk (Loan Processing) GS-5
1 - Realty Spec. GS-9

Veterans Services Division

1 - Field Examiner GS-10
1 - Estate Analyst GS-8
1 - VBC GS-9
1 - Supv. VBC GS-11
1 - Receptionist GS-5

Vocational Rehab. & Counseling Division

1 - Scheduling Clerk GS-5

Personnel Division

1 - Personnel Clerk GS-5

Question: A current backlog of six weeks exists in the processing of VA entitlement benefits at the Portland Office. What impact will the staff reductions have on the processing of these regular entitlement benefits?

Answer: As of April 9, the Portland Regional Office carried a 6.4 day pending workload. The backlog which had developed is being reduced, and improvement will continue. This improvement will be sustained despite these targeted reductions.

Question: On a related matter, it currently takes as much as four weeks for a veteran to receive an entitlement benefit check once their name has been entered into the VA computer. It is my understanding that much of this delay could have been averted if the "special pay" mechanism were not eliminated. Could the "special pay" mechanism be reinstated for emergency purposes? Is there a quicker or more responsive mechanism which could be put in its place to alleviate this two week delay which needy claims experience?

Answer: Once an award authorizing payment is entered into the computer, a check will be issued within two weeks. This is the normal processing time established by our monthly schedule of operations. Whenever financial need is claimed or award processing has been delayed two or more months, special payments are routinely authorized. We are assured that the Portland Regional Office is following their guidelines and issuing special payments.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

SUPPLEMENTALS

Question: Do you anticipate any further fiscal 1984 supplementals?

Answer: At the present time, the Agency is reviewing all programs to determine if any further supplementals will be required in FY 84. If it is determined that additional funding is required, an appropriate supplemental will be forwarded to the Congress.

Question: Does your fiscal 1985 budget request fully fund projected FY 85 requirments or are we likely to see supplemental requests there?

Answer: At the present time the Agency is reviewing its projected FY 85 funding requirements. If the 1985 budget estimates are determined to be deficient, an appropriate budget amendment will be forwarded to the Congress.

STATE APPROVING AGENCIES

Question: What is your fiscal 1985 request for State Approving Agencies? Do you expect a continuing decline in their activities?

Answer: The fiscal 1985 request for State Approving Agencies is $12.969 million.

Although the number of trainees will continue to decline, the number of active educational institutions is expected to remain about the same. With the enactment of the Emergency Veterans' Job Training Act of 1983 (Public Law 98-77), interest in apprentice and other on-the-job training programs is likely to increase. The total number of educational institutions and training establishments which the State Approving Agencies will supervise will decrease only slightly. For fiscal year 1985 State Approving Agency professional and clerical staffing will decline. However, anticipated increases in salary, fringe benefit and travel expenses will offset any savings resulting from lower staffing.

MAINTENANCE AND REPAIR

Question: In FY 84, you had a Jobs Bill and regular bill appropriation for maintenance and repair. Will these eliminate backlog or will there still be a significant backlog?

Answer: The Jobs Bill appropriation occurred in FY 83. While this reduced identified needs, there is still a significant backlog. Requests for FY 85 funding of maintenance and repair projects totaled $398 million. Funding level for FY 85 is $163.5 million. As needs are continually identified and resources limited, this identified backlog will increase.

DEBT COLLECTIONS

Question: For some years now we have been concerned about debt collections from overpayments and ineligible payments. What is the current status of your debt collections?

Answer: Agency-wide collections (including offsets), show steady improvement for the past three years (from $350.6 Million in FY 81 to $361.8 Million in FY 83). Debt disposition by waiver or compromise has likewise had a substantial increase (from $37.1 Million in FY 81 to $50.2 Million in FY 83.) The enforced collection effort conducted by the Office of General Counsel under authority of 38 U.S.C. §3116, has shown dramatic improvement, and proven to be a valuable source of revenue since it was begun. Cash collections have risen from $2.1 Million in FY 81 to $7.9 Million in FY 82, to $11.6 Million in FY 83. We are achieving collections of $2.68 for every dollar spent on the litigation effort. Of the total cases referred over the past three years, (342,000), nearly 25% (75,000) have resulted in voluntary repayment plans. A total of 93,600 complaints have been filed in court and judgments have been entered in 46,300 cases. In addition, a significant number of cases are being disposed of as a result of this effort, through recoupment from other benefits, correction of records, waiver, etc.

Question: Are efforts continuing?

Answer: All collection practices and procedures which have existed in the past are ongoing, as well as a number of new procedures which have been authorized by recently enacted legislation.

Question: What is the total amount of debt collections to date?

Answer: Collections (including offsets), are as follows:

FY 1980	FY 1981	FY 1982	FY 1983	(1st Q) FY 1984
$361.4 M	$350.6 M	$352.7 M	$361.8 M	$97.8 M

AGENT ORANGE

Question: How many veterans have been examined for the Agent Orange Registry?

Answer: As of January 31, 1984, 131,843 veterans have received an initial Agent Orange examination.

Question: How many follow-up examinations have now been provided?

Answer: As of January 31, 1984, 31,950 follow-up examinations have been provided.

(The response to the following question was provided by the Centers for Disease Control)

Question: Congress made a supplemental appropriation to enable VA/CDC to initiate a comprehensive Agent Orange study. What is the status of that effort?

Answer: In January 1979 the Congress (PL 96-151) directed the VA to investigate health effects of Agent Orange, expanding the mandate in November 1981 (PL 97-72) to include "other factors." In January 1983 responsibility for design and execution of the study was formally transferred from VA to CDC, with resources, both FTE's and money, to be provided by VA.

The CDC draft protocol was completed and distributed for scientific review in May 1983. The principal review was by the Office of Technology Assessment. Reviews were also conducted by the interagency Agent Orange Working Group Science Panel, by the DHHS Advisory Committee on Special Studies Relating to the Possible Long Term Health Effects of Phenoxy Herbicides and Contaminants (which oversaw the Air Force Ranch Hand study), and by the Centers for Disease Control Ad Hoc Review Panel. National veterans' organizations were invited to comment. All reviews were completed by September 1983.

The CDC protocol now contains three components:

- Agent Orange (AO) Component: (Historic cohort study [18,000 veterans] of the long-term health effects of exposure to herbicides in Vietnam);

- Vietnam Experience (VE) Component: (Historic cohort study [12,000 veterans] of the long-term health effects of military service in Vietnam);

- Selected Cancers Study Component: (Case-control study [2255 cases, 1300 controls] to determine the risks of certain cancers among Vietnam veterans).

CDC is taking actions necessary to initiate the study including:

- A Requests for Proposals (RFP) has been published for the first of several contracts to be awarded for data collection: this one for locating and interviewing 30,000 participants in the AO and VE components. Later contracts will be awarded for conducting medical examinations and related laboratory tests of 10,000 participants, and for research and interview activities related to the Selected Cancers Study component;

- In December 1983, random accession numbers were generated to prompt selection of 42,000 army personnel records from among over five million such records located at the National Personnel Records Center (GSA), in St. Louis. These 42,000 records will be searched to identify 12,000 participants for the VE component of the study;

- Authority has been given for participants, participants' families, and participating institutions to be assured of complete confidentiality of any study data which could be traced to individual veterans;

- More than one half of an eventual Agent Orange Projects staff of 55 FTE employees are on duty;

- So they may keep their memberships advised of the status and progress of the CDC study, about 15 national veterans organizations are briefed as a group regularly by CDC project staff. The third and most recent briefing was held on January 18;

  Identification of veterans to be asked to participate in the study will be completed for the VE component by November 1985, and by December 1986 for the AO component.

Several additional contract awards are scheduled:

- A contract award for coordination of data collection related to the Selected Cancers Study component is anticipated in July 1984, with interviews of cases and controls expected to begin in September 1984.

- A contract award for histologic review, to confirm the original case diagnoses for the Selected Cancers Study component, is anticipated in September 1984.

- A contract award for administration of medical examinations of participants in the AO and VE components is anticipated in December 1984, with examinations of VE study veterans beginning in March 1985.

VA LOAN GUARANTEE PROGRAM

Question: What is current status of the Administration plan to change the loan guaranty program so as to pay only the guaranty amount in the case of default and not to acquire the property?

Answer: This policy change is currently under review by representatives for VA, FHA, FmHA, and OMB in an attempt to establish uniform property acquisition procedures for Federal housing programs.

Question: Wouldn't such a change make it more difficult for potential borrowers to find a willing lender?

Answer: This would depend on how lenders perceive a change in policy. Based on industry comments, it is likely that lenders might be more cautious about making GI loans in those areas where it might be difficult to sell property acquired through foreclosure. In such areas, lenders may also require downpayments and/or increased discounts as a condition for making loans. It is important to note that veteran borrowers pay a maximum of one percent loan origination fee on VA guaranteed loans. There also might be less reason for lenders to extend forbearance or accept long term repayment programs from veterans who are in default. A period of prolonged forbearance increases lenders' exposure to additional expenditures. Since lenders could no longer rely on VA to take the property if the veteran fails to reinstate, they might attempt to reduce their risk by foreclosing quickly.

Question: What is the VA's position on the need to increase the guaranty limits from $27,500 to $35,000?

Answer: We believe that the VA maximum loan guaranty amount is adequate at this time. The maximum home loan guaranty was last increased, to $27,500, by Public Law 96-385, which was enacted on October 7, 1980. During Fiscal Year 1981, the first fiscal year the present $27,500 maximum guaranty amount was in effect, the average VA home loan amount was $55,105. A loan for that amount would bear a guaranty of 49.90 percent. The average loan amount in Fiscal Year 1982 was $57,371 and in 1983, $62,127. The guaranty for these loans would be 47.93 percent and 44.26 percent, respectively. The VA guaranty is intended to provide the lender the protection provided by a down payment on a conventional home loan. The guaranty protection of over 44 percent on the average VA home loan in the recently ended fiscal year is considerably greater than the 20 to 25 percent down payment protection normally obtained on conventional loans. Experience shows that the secondary market normally demands 25 percent protection on government backed home loans. Thus, the current $27,500 guaranty would support a loan of $110,000, far in excess of the average home loan amount.

Question: What was the average loan guaranty in FY 83?

Answer: The average home loan guaranty in FY 1983 was $24,162.

Question: What is the default rate for FY 83? FY 84 to date? How does this compare with FY 80? FY 75?

Answer: The default rate (defaults reported during the year as a percent of loans outstanding at the end of the year) on home loans is as follows:

Fiscal Year	Default Rate
75	3.00%
80	3.31%
83	3.75%
*84	3.60%

*Estimate

Question: About how much does the VA lose per default?

Answer: The average loss per property sold for Fiscal Year 1983 was $9,371.

Question: The Direct Loan Revolving Fund has in the past provided nearly $2 billion for the Guaranty Fund. How much has this been on a yearly basis?

Answer: The Direct Loan Revolving Fund has transferred $1,655,718,022 through Fiscal Year 1983. The following chart shows the years and amounts transferred:

Fiscal Year	Amount
1962	$105,718,022
1965	$200,000,000
1967	$200,000,000
1978	$100,000,000
1979	$300,000,000
1980	$200,000,000
1981	$200,000,000
1982	$50,000,000
1983	$300,000,000
Total	$1,655,718,022
1984	$200,000,000 *
Total	$1,855,718,022

*(thru February 1984)

Question: What do you see as the preferable means of addressing the projected FY 84 shortfall in the Guaranty Fund?

Answer: The most appropriate means to meet FY 84 funding needs in an expeditious manner would be a supplemental appropriation to the Loan Guaranty Revolving Fund.

Question: What is the current inventory of acquired property?

Answer: The number of properties on hand as of February 29, 1984 is 22,147.

EX-PRISONERS-OF-WAR (Ex-POWs)

Question: What medical assistance is available to former POWs?

Answer: In response to Public Law 97-37, the "Former Prisoner of War Benefits Act of 1981", the Veterans Administration has established a Standard Medical Evaluation Program for Former Prisoners of War. A standard medical evaluation protocol relevant to the Prisoner of War experience is now used by Veterans Administration health care facilities. A physician coordinator, a social work specialist, and an administrative coordinator appointed by each Medical Center Director have been given special responsibility to provide appropriate assistance to Former Prisoners of War. Each Former Prisoner of War is entitled to outpatient treatment on a Priority Two Basis, and if he or she has established service-connection for a disability such treatment is rendered on a Priority One Basis.

Question: Is there any particular assistance directed to their special needs?

Answer: Yes, In addition to the special assistance described above, any Former Prisoner of War who has a specific medical problem which is identified by the medical evaluation program is referred to the appropriate clinic or admitted to the medical center.

Question: Do ex-POWs tend to be affected by particular afflictions more than the general veteran population?

Answer: Yes, studies in this country and abroad have shown that the physical deprivation and psychological stresses endured as a captive have life-long effects on subsequent health, social, and vocational adjustment. Specific residuals are known to be induced by prior malnutrition. Vulnerability to psychological stress and the diseases related to that stress appear to be markedly increased.

Question: What is the ex-POW population?

Answer: As of January 1, 1984, there were 88,452 living former POWs.

Question: What is the breakdown by war?

Answer:		
	Vietnam	622
	Korean	3,672
	World War II	83,684
	World War I	474

Kentucky funding

Question: What does your FY 1985 budget include for the medical facilities in Kentucky?

Answer: The FY 1985 construction budget for medical facilities in Kentucky include the following: VAMC Lexington, KY - A "Clinical Addition" is scheduled for design and construction in FY 1985 at a cost of $32,000,000. VAMC Louisville, KY - A "Clinical and Education Addition" is scheduled for design and construction in FY 1985 at a cost of $12,500,00. The total construction budget for Kentucky for FY 1985 is $44,500,000.

The facility's 1985 operating funding and employment levels, based upon the 1985 Medical Care budget, are currently being developed as part of the "Target Allowance" process. This process will be completed at the end of April 1984.

Question: What is your projected caseload in Lexington and Louisville in FY 1984?

Answer: The chart below provides Louisville and Lexington's planned annual workloads for 1984:

	Louisville	Lexington
Hospital census	275	774
Nursing home census..	...	97
Community nursing home census............	58	84
Outpatient visits....	75,869	97,760
Dental exams.........	732	690
Dental treatments....	552	824
Outpatient fee visits	12,405	...

Question: What staffing levels are envisioned at the facilities in FY 1985? Please explain any change from FY 1984.

Answer: The 1985 staffing levels for these facilities will be determined, along with funding, during the "Target Allowance" process. This process is currently underway and is scheduled to be completed by the end of April.

KENTUCKY FUNDING

Question: What affiliations do the Kentucky facilities have with area medical schools?

Answer: Veterans Administration Medical Center Lexington is affiliated with the University of Kentucky College of Medicine. VAMC Louisville is affiliated with the University of Louisville School of Medicine.

Question: Has there been any recent change in these relationships?

Answer: The only significant recent change has taken place with Louisville's affiliation relationship in open heart surgery. Humana Inc. has been unwilling to renew a sharing agreement with the VAMC. All other aspects of the affiliations are fine.

Question: Last year you referred to two planned major construction projects - a Clinical and Administrative addition at Lexington, and a Clinical and Educational addition at Louisville. What is the status of those facilities?

Answer: VAMC Lexington, KY - Clinical and Administrative Addition: Preliminary plans and a cost estimate now is available. Working drawings are due to be awarded in April 1984 with completion scheduled for November 1985. Construction should begin in January 1986 with completion scheduled for July 1988.

VAMC Louisville, KY - Clinical and Education Addition: Preliminary plans and a cost estimate now is available. Working drawings should begin in December 1984 with completion scheduled for September 1985. Construction should begin in January 1986 with completion scheduled for February 1988.

Medically Needed

Question: Is the group of veterans who must affirm an inability to defray the cost of required medical care increasing or contracting?

Answer: The group of veterans who must affirm inability to defray the cost of required medical care is declining due to the increase in the proportion of veterans who will reach age 65 and who are no longer required to certify inability to pay. However, demand for VA health care services is expected to increase from veterans who are over 65 and from veterans who are under 65 due to recently implemented and planned cutbacks in Medicare and Medicaid programs.

Senator Huddleston—Continued

Question:	What are your projections over the next five years?
Answer:	The number of veterans aged 65 and over will increase by approximately 2,000,000 veterans over the period '85-'89. This group will be eligible for VA health care without certifying inability to pay. The veteran population under age 65 is expected to decline from approximately 23,000,000 in '85 to approximately 20,000,000 in '89. However, increased demand is expected from this population group as well due to special entitlements for former POWs'; veterans exposed to agent orange; and due to Medicaid program cutbacks.

QUESTIONS SUBMITTED BY SENATOR LEAHY

1. Question: What steps is the VA taking to restore permanently the stability in the WRJ "Basic Reoccurring Personal Services" budget? Are increases for the WRJ facility contained in the FY 85 budget? If not, why not?

Answer: In FY 83, VAM&ROC White River Junction received $170,019 in additional funding as an adjustment to their recurring base. The Region agrees there is a deficit problem, but it is felt that the magnitude of the problem is less than the figure being claimed by the medical center. The FY 85 Target Allowance has not been set, but VAM&ROC White River Junction's deficit will be taken into account during this allocation process.

NURSING GRADE INCREASES

2. Question: What is the VA doing to provide for the recent grade increases approved for nursing positions?

Answer: The 1984 current budget estimate does not include any resources for the grade increases of Registered Nurses. The Department, however, has begun to implement the new nurse qualification standards. In order to fund the costs of implementing these new standards, it has been necessary to redirect resources from other areas. To date, VA Central Office has funded 55 percent of the system-wide cost for these grade increases. The facilities must fund the remaining 45 percent. The percentage of funding by VA Central Office is subject to further review and could be increased later in the year depending on resource availability during the 3rd and 4th quarters.

Question 3: Why are Medical Technologist positions in WRJ only at the GS 8 level while equivalent Medical Technologist positions in almost all other VA hospitals throughout the country are GS 9?

Answer: All Medical Technologist positions were reviewed based on a new position classification standard issued recently by the Office of Personnel Management (OPM). Under the previous OPM standard, most "journeyman" technologist positions were classified at the GS 7 level. The new standard provides for classification to grades higher than GS 7 depending on assigned duties, supervisory controls, available guidelines, and other criteria specified in the standard.

Each medical center has authority to classify positions locally. The Personnel Service at White River Junction conducted the local classification review and found that GS 8 was proper for 11 positions formerly graded at GS 7. Two other positions were changed from GS 7 to GS 9, and three positions graded at GS 8 under the old standard were changed to GS 9 under the new standard. Supervisory positions were changed from GS 9 to GS 10.

Although GS 9 is considered a typical "journeyman" level in the new standard, there is no prohibition against classifying positions at GS 8. The Personnel Service found that the GS 8 positions did not meet the GS 9 level requirements in the areas of "Guidelines" and "Supervisory Controls." In these circumstances, classification below the GS 9 level would be appropriate.

4. Question: Since the beginning of FY 84, WRJ has had to downgrade its "Average Daily Census" from 150 to 147. Why was this necessary and what does it mean in terms of quality and level of services available to veterans?

Answer: Planned (ADC) is a projected workload number used in preparing ensuing fiscal year budgets. Each medical center was asked to review their planned (ADC) compared to their actual workload, and if necessary, suggest appropriate revision to their plan. VAM&ROC White River Junction had an (ADC) of 150 in FY 83, but based on current workload, and no waiting list, they revised their (ADC) downward. No reduction in quality or level of services is anticipated.

5. Question: What is the rate of staff turnover each year since FY80? I would like this broken out according to medical, allied health, and maintenance positions.

Answer: The local Personnel Service has estimated staff turnover rates as follows:

	Medical[1]	Allied Health	Maintenance[2]
FY 80	30.8%	30.4%	29.3%
FY 81	25.2%	32.2%	33.0%
FY 82	21.7%	34.2%	24.7%
FY 83	27.4%	32.2%	29.3%

[1] Includes all physicians, dentists, and registered nurses employed under Title 38 authority.

[2] Includes all Wage Grade employees at the facility including Engineering, Dietetics, and Housekeeping Services.

6. Question: How many early retirements have there been each year for the same time period and the same breakdown of positions?

Answer: Early retirements are approved when positions are abolished through reductions-in-force or during reorganizations. No such retirements have occurred at White River Junction during the period in question.

7. Question: The VA adopted the recommendation of the Joint Commission on Accreditation of Hospitals (JCAH) to establish the "unit dose" concept. Using the ratio of the number of prescriptions to pharmacy positions established by VA Central Office, WRJ Pharmacy should have 3 additional pharmacy positions. What steps have been taken to provide these positions? If no provisions have been taken, why not?

Answer: The Veterans Administration provided six additional pharmacy positions for the unit dose conversion in FY 82. This staffing ratio as applied to White River Junction, for beds to be converted, was within the criteria limits used in staffing other VAMC's funded in FY 82. The increase in prescriptions filled is not related to the unit dose program funding. Additional staffing needs for increased ambulatory care prescription workloads must be met locally within existing resources through priorities established by the personnel review board in determining reassignment and/or realignment of positions to accommodate these changes.

8. Question: How does the level of Outpatient Care Services offered today compare with FY 83? FY 82? FY 81? FY 80?

Answer: Outpatient visits for FY 80-FY 84 are as follows:

FY 80 = 52,272
FY 81 = 52,796
FY 82 = 51,762
FY 83 = 52,299
FY 84 = 52,325
(assigned workload)

9. Question: How many volunteer hours have been provided to the WRJ for each year since 1980? What kinds of specific duties are these volunteers providing? Are volunteers performing any duties which should actually be performed by VA personnel?

Answer: Regularly Scheduled Volunteers and the number of hours provided are as follows: (FY 81) - 160 volunteers, 30,925 hours; (FY 82) - 177 volunteers, 34,283 hours and (FY 83) - 210 volunteers, 36,347 hours. Volunteers provide such services as letter writing for patients, escort services, assisting in recreational activities and providing information to visitors. Volunteers supplement existing paid staff, not as replacements or substitutes for same.

10. Question: What is the Administration's position on the effectiveness of Vietnam Veterans Readjustment Counseling Centers? How much money is being requested to operate these Centers in FY85?

Answer: The Administration strongly supports the effectiveness of the Vietnam Veterans' Readjustment Counseling Centers. Since the inception of this program over 226,000 veterans have received counseling and another 50,000 family members of Vietnam era veterans have also been helped. The Administration has recommended that $32 million be earmarked for the total Readjustment Counseling Program to include operation functions and the fees/ contract program.

11. Question: What steps will the VA take to evaluate the staffing needs of Counseling Centers, like Vermont's to reflect the rural nature of the service areas?

Answer: We already have in place a system that evaluates each of our Vet Center operations. Twice a year productivity standards are compared to the actual number of reported visits and new clients. We are aware that many of our rural Vet Centers like the one in Vermont, spend additional travel time in their outreach efforts to Vietnam veterans. A new way of analyzing rural verses urban Vet Center sites is in its final draft stages and we expect to begin using these revised standards later in FY '84. This process will better enable VA Central Office staff to determine the staffing needs of counseling centers.

According to the VA "Five-Year Facility Plan," VA has tentative plans to construct the Research and Education Center in White River Junction in 1986, as well as a 50 bed nursing care unit in Bennington in 1988.

12a. Question: What is the status of the White River Junction proposal?

Answer: VAMC White River Junction's project to construct a Research and Education Building is planned for design and construction in FY 1986.

12b. Question: What is the status of the Bennington proposal?

Answer: The proposed 50 bed nursing home care unit at Bennington is a state project with VA participation. This project requires a matching of funds with the state furnishing 35% and the VA 65%. Presently, the VA is waiting review of the final drawings and specifications before awarding the grant in FY 1984.

13. Question: What steps is the VA taking to incorporate costsaving practices in other New England VA facilities to increase the efficiency and patient load management?

Answer: All VA medical centers are being funded in FY 85 through the use of Diagnosis Related Groups (DRG's). The purpose of this new methodology is to make all medical centers operate more efficiently. It is much too early in the budget cycle to state categorically what cost saving methods will result from (DRG's).

AGENT ORANGE

(The responses to these questions were provided by the Centers for Disease Control)

14a. Question: What is the status of the Center for Disease Control's (CDC) epidemiological study?

Answer: In January 1979 the Congress (PL 96-151) directed the VA to investigate health effects of Agent Orange, expanding the mandate in November 1981 (PL 97-72) to include "other factors." In January 1983 responsibility for design and execution of the study was formally transferred from VA to CDC, with resources, both FTE's and money, to be provided by VA.

The CDC draft protocol was completed and distributed for scientific review in May 1983. The principal review was by the Office of Technology Assessment. Reviews were also conducted by the interagency Agent Orange Working Group Science Panel, by the DHHS Advisory Committee on Special Studies relating to the Possible Long Term Health Effects of Phenoxy Herbicides and Contaminants (which oversaw the Air Force Ranch Hand study), and by the Centers for Disease Control Ad Hoc Review Panel. National veterans' organizations were invited to comment. All reviews were completed by September 1983.

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- In December 1983, random accession numbers were generated to prompt selection of 42,000 army personnel records from among over five million such records located at the National Personnel Records Center (GSA), in St. Louis. These 42,000 records will be searched to identify 12,000 participants for the VE component of the study;

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- More than one half of an eventual Agent Orange Projects staff of 55 FTE employees are on duty;

- So they may keep their memberships advised of the status and progress of the CDC study, about 15 national veterans organizations are briefed as a group regularly by CDC project staff. The third and most recent briefing was held on January 18;

  Identification of veterans to be asked to participate in the study will be completed for the VE component by November 1985, and by December 1986 for the AO component.

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- A contract award for histologic review, to confirm the original case diagnoses for the Selected Cancers Study component, is anticipated in September 1984.

- A contract award for administration of medical examinations of participants in the AO and VE components is anticipated in December 1984, with examinations of VE study veterans beginning in March 1985.

14b. Question: When do you expect it will be completed?

Answer: We expect initial findings to be available at the end of Fiscal Year 1987.

EMERGENCY VETERAN'S JOB TRAINING ACT

15. Question: I understand the President's budget does not propose a second appropriation of $150 million for the Emergency Veterans' Job Training Act of 1983. How many veterans applied for jobs under this program? How many of these veterans actually received jobs?

Answer: As of March 30, 1984, there were 89,535 approved applications for this program, of which 2,883 received jobs.

1. Question: In response to a question I submitted concerning the White River Junction "Basic Reoccurring Personal Service Budget," I was told, "The FY 1985 Target Allowance has not been set, but VAM&ROC White River Junction's deficit will be taken into account during this allocation process." Has the FY 85 Target Allowance been set? If so, how was WRJ's deficit "taken into account?"

Answer: The FY 1985 Target Allowance process has been completed. VAM&ROC White River Junction received a total of $469,319 in recurring funds broken down as follows: $48,644 from the DRG Resource Allocation process; $30,200 for additional outpatient visits and $390,475 in the Increased Cost category. As regards this latter category, although the increase to the District as a whole was only 1.4%, White River Junction received an increase of 1.9%.

The budget of White River Junction comprises only 6.5% of the Medical District's budget, yet they received 8.7% of the additional resources from the Increased Cost category.

2. Question: In response to a question I submitted on recent grade increases approved for nursing positions, I was told, "To date, VA Central Office has funded 55 percent of the system-wide cost for these increases. The facilities must fund the remaining 45 percent." At the WRJ facility, what percentage of the grade increases are funded by the VA Central Office? If it is below 55%, what is the justification for this level of funding?

Answer: VAM&ROC White River Junction requested $12,680 and received $7,298 which represents Central Office funding of 57%.

3. I understand the Regional Director has agreed that the WRJ facility needs one additional Pharmacist for the unit dose system. What steps are being taken to ensure adequate funding will be forthcoming for this position?

Answer: In a letter to White River Junction the Regional Director did agree there is a need for additional staff. However, the staffing ratio as applied to WRJ, for beds to be covered, was within the criteria limits used in staffing other VA Medical Centers funded in FY 1982. At this time, additional staffing needs must be met locally within existing resources. Central Office Pharmacy Service will retain this staffing request for future consideration in the event additional resources are identified for this purpose. Presently, there are no resources available centrally to provide additional support for the unit dose program.

4. What was the targetted versus the actual outpatient workload for all VA hospitals in 1983? What percentage of these services provided went to service connected veterans?

Answer: The planned (targeted) outpatient workload for FY 83 was 16,228,000 (from the Medical Care Operating Plan as revised April 1, 1983). The actual number of outpatient visits accomplished in FY 83 was 16,617,485. Of this total 7,425,350 were provided to service connected veterans. This represents a total of 44.7% to service connected veterans.

SUBCOMMITTEE RECESS

Senator GARN. The subcommittee hearing is recessed.

[Whereupon, at 11:40 a.m. Thursday, March 22, the subcommittee was recessed to reconvene at 10 a.m. Thursday, March 29.]

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT-INDEPENDENT AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1985

THURSDAY, APRIL 5, 1984

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 10 a.m. in room SD–124, Dirksen Senate Office Building, Hon. Jake Garn (chairman) presiding.

Present: Senator Garn.

NEIGHBORHOOD REINVESTMENT CORPORATION

STATEMENT OF WILLIAM A. WHITESIDE, EXECUTIVE DIRECTOR

ACCOMPANIED BY:
- **MARGARET M. FRISBEE, DIRECTOR, PROGRAM SERVICES**
- **GEORGE KNIGHT, DEPUTY EXECUTIVE DIRECTOR**
- **CAROL J. McCABE, GENERAL COUNSEL**
- **NATHAN NICHOLS, DIRECTOR, FIELD SERVICES**

INTRODUCTORY REMARKS

Senator GARN. The subcommittee will come to order.

Today we will be taking testimony from three agencies and will, therefore, ask each agency to be as brief as possible and summarize. Your entire statements will be included in the record.

Our first agency this morning is the Neighborhood Reinvestment Corporation.

Mr. Whiteside, it is a pleasure to have you before the committee again.

For fiscal year 1985, you are requesting an appropriation of $15,271,000. This represents a small decrease from your fiscal year 1984 level of $15,512,000.

Would you please proceed.

OPENING REMARKS OF WILLIAM A. WHITESIDE

Mr. WHITESIDE. Thank you, Mr. Chairman. It is a pleasure to be testifying before your committee again.

You have my submitted testimony for the record. I will just say very briefly that we have been able to produce, since the beginning of our work about 13 years ago, approximately $2.4 billion in reinvestment in neighborhoods, or we project this for the end of the present fiscal year, as a result of a total expenditure of $93 million in Federal funds through our budget.

We are very proud of that leverage ratio in our funds.

We are also very proud of the fact that NHS's got through the difficult times of the last 2 or 3 years as well as they did. We only had one go out of business during a time when a thousand savings and loans were merged out of business.

The savings and loan shrinkage had its effect on the local neighborhood housing services programs. Their operating budgets were affected. We have had to work very hard. Every local NHS and local NHS partnership has had to work very hard to broaden the base of fund-raising support to make up for the reduced support that that shrinkage caused.

BROADENED FINANCIAL SUPPORT

One rapidly growing area has been the insurance industry, which is now supporting NHS at about six times the levels they were supporting it 5 years ago, and about 140 insurance companies are now involved in NHS around the country.

There has also been a very rapid growth in nonfinancial corporation support for NHS in the last couple of years as a result of our fund-raising work. The most helpful element in this is yet to come. We expect to see ads appearing in the business press within the next 30 to 60 days which will be promoting neighborhood housing services as a cause that businesses can get behind as an effective way to revitalize neighborhoods. These ads can appear in upward of 3,000 business press publications as a result of the Advertising Council's taking neighborhood housing services on as a cause.

NEIGHBORHOOD IMPACT

One of the most important things that has happened to us in the last couple of years is that we have discovered how to be more effective and how to help NHS's be more effective in targeting their efforts in a strategic way to bring impact to the neighborhood—in a very organized way to complete their work in the neighborhood so that they can move on to serve additional neighborhoods.

We are showing by the end of this year a projected 18 neighborhoods that we are calling self-reliant. They will have completed their goals under neighborhood housing services. We see that as a steadily growing number in years to come.

Following the directive of the committee, our Board has reallocated funds to provide a $500,000 capital grant to the Mutual Housing Association of Baltimore. We have done that at the cost of two neighborhood housing services starts. We will be very pleased to see the additional units produced in Baltimore. But, as you know from Chairman Partee's letter, it was done with some reluctance by the Board because of the very high leverage of our funds in our normal programs.

We expect to see increased requests for neighborhood housing services programs and for apartment improvement programs as a result of the ad council's impact. We are a bit concerned as we go into the year with a 1.1-percent reduction in our all sources budget, and even more concerned as we note that two items in that budget totaling $1.4 million, are quite uncertain: $600,000 in projected fee income and $800,000 in projected contributions from agencies represented on our Board.

With that I will complete my statement and be very pleased to take your questions.

Senator GARN. Thank you very much.

[The statement follows:]

STATEMENT OF WILLIAM A. WHITESIDE

Mr. Chairman, and members of the Committee, we welcome the opportunity to come before you in support of our fiscal year 1985 budget request of $15,271,000. As you will note, this figure represents a 1.6% reduction in our level of appropriated funding from fiscal year 1984.

The Neighborhood Reinvestment Corporation was authorized by the Congress in October 1978 and is in its sixth year as a public corporation and its 14th year, when we count our time as the Urban Reinvestment Task Force and as a department of the Federal Home Loan Bank Board, of mobilizing private/public and community resources to revitalize older urban neighborhoods. In the past several years, Neighborhood Housing Services (NHS) programs have had to meet significant challenges and many are still struggling to overcome adverse circumstances. As an organization, we have had to both respond to and anticipate these challenges in order to carry out our mission. In this statement I will review the past few years, and the outlook for the current fiscal year, mention some program highlights of which we are particularly proud and then discuss our future goals in light of the budget request for FY 1985.

As you know, the Neighborhood Reinvestment Corporation Act gives the Neighborhood Reinvestment Corporation the responsibility for establishing Neighborhood Housing Services programs throughout the United States, monitoring their progress, and providing grants and technical services. By the end of FY 1984, Neighborhood Housing Services will have brought at least 18 neighborhoods to their goal of self-reliance -- they will have declared victory -- and moved on to other neighborhoods, usually with greater needs. NHSs will be actively serving approximately 196 neighborhoods in 139 cities in 43 states and the District of Columbia.

Neighborhood Reinvestment's work is one of the most cost-beneficial activities sponsored by the federal government. By the end of this fiscal year, approximately $2.4 billion in private and local funds will have been reinvested in NHS neighborhoods since we began work in 1972. This figure does not include the value of "sweat equity" put in by thousands of homeowners, or improvements to rental properties. There is no way to capture the value of the hundreds of thousands of "volunteer" hours put in by neighborhood residents, local government officials and business leaders. In comparison, the federal "seed" money which passed through our budget and encouraged this reinvestment to take place will amount to $93 million by the end of fiscal year 1984. This is better than a 26-to-1 ratio.

The operating budgets of the local NHS programs are supported primarily by privately raised funds. The recent years of severe economic hardship affected both the NHS programs and the business community that supports them. NHSs struggled to meet the challenge of raising their operating budgets while one of their historic partners -- the savings and loan industry -- was in deep financial difficulty. Almost 1,000 (20%) of the nation's savings and loans were closed or merged from 1981 through 1983. Nearly every NHS lost one or two savings and loan contributors, and a few saw temporary withdrawal of half their budget base. Many NHSs' very existence was threatened through loss of vital financial and individual leadership resources. NHSs also found themselves competing in a recessionary environment with other nonprofit organizations for reduced private (and federal) dollars.

Neighborhood Reinvestment and Neighborhood Housing Services of America (NHSA) worked actively to promote a broader base of local financial support for local NHS operating budgets to assist the NHSs in meeting the immediate challenges and also to help ensure their long-term economic viability.

NHSA worked directly with several NHSs providing assistance to actually staff their fundraising, both solidifying existing support and obtaining new contributors. NHSA has now provided an expanded NHS fundraising guide to all Neighborhood Reinvestment field staff members that enables us to provide better assistance to the NHSs on how to enhance their skills in leveraging private funds.

Two NHSs that have been particularly successful in broadening their financial base and increasing funds for their operating budgets are in Rochester, New York and Charleston, South Carolina. Ever since the Rochester NHS was incorporated in 1979, it has had to struggle to meet its budget, with most of its funds coming from savings and loans and local government. In 1983, during a Neighborhood Reinvestment assisted expansion to a second neighborhood, the Rochester NHS undertook a fundraising campaign aimed at broadening its financial base. The campaign raised over $200,000 and doubled the number of contributors. With NHSA's "hands-on" assistance, the Charleston NHS put together a group of top business and community leaders for their Fundraising Committee and succeeded in increasing private contributions by approximately 200%.

Although many NHSs are still in the learning process, and many are located in areas that have not recovered from the recession, remarkable progress has been made. The training and onsite technical services have produced increased contributions to NHSs in 1983. Insurance company contributions to local operating budgets now total $1.2 million annually, up from less than $200,000 five years ago, and corporate and business contributions (non-financial institutions) have risen over 40% since last year with more than 525 major corporations now contributing to NHS programs -- compared with a relative handful four years ago. The increase in contributions from the insurance industry and corporations materially helped offset the decrease from financial institutions in 1982 and 1983, but local governments also stepped up their support and were especially important to NHSs' abilities to expand their services to additional neighborhoods during these challenging times.

An example of our joint work with NHSA is the expanding base of insurance companies supporting the work of Neighborhood Housing Services. Today, the insurance industry is a very significant partner in the NHS network, with a six-fold increase in contributions to local NHS operating budgets over the past five years. Almost half of the $1.2 million in FY 1983 contributions were made by companies participating in local NHSs through the Insurance Industry Full Partnership, a program designed to strengthen the delivery of residential insurance services in NHS neighborhoods. Additionally, half a dozen insurance companies are supporting the work of the NHS network nationally through their leadership in the campaign to expand NHSA's secondary market for the NHSs' non-bankable loan clients. By entering into pre-commitments now totaling $17.5 million, to purchase securities backed by NHS loans at below-market rates, these companies are foregoing significant interest earnings and have enabled the NHSA secondary market to purchase loans from local NHSs of over $11 million to date.

A major breakthrough toward creating a better climate for local and national fundraising for NHSs was the selection by the Advertising Council, Inc. of NHS as a cause for a nationwide business press public service advertising campaign. The first part of the campaign will begin this spring with a series of public service ads directed at business leaders and is expected the following year to expand into a broad public campaign. The objective is to create the backdrop of name recognition and national significance needed to increase private sector support for local NHS operating budgets, and for the national secondary market for NHS revolving loan funds operated by NHSA.

During these challenging years of economic hardship, the Neighborhood Reinvestment staff performed in an outstanding manner. For example, from 1980 to the present, the number of NHS neighborhoods we work with increased from 120 to 195 -- an increase of 63%; while the number of Neighborhood Reinvestment staff increased from 183 to 194, or only 6%.

At the same time, there was increasing demand from the NHSs for needed technical services from Neighborhood Reinvestment staff. This greater need for assistance to the NHSs has been met mainly by major increases in the workloads of field staff. While we are proud of our increased productivity, this continued demanding schedule is proving counterproductive, and therefore, during the remainder of fiscal year 1984 and fiscal year 1985, in order to adequately serve the growing number of neighborhood programs with our shrinking staff resources, it will be necessary to effect some reduction of service levels.

Despite the focus on survival, we have seen some magnificent successes in the last year. First of all, as an increasing number of neighborhoods are reaching their goal of self-reliance, we are beginning to "institutionalize" among NHS partnerships a focus on completing the job in their neighborhood. Through training of our own staff and NHS staff and board members, existing NHSs are being enabled to more effectively work toward neighborhood self-reliance. Now, at the outset of an NHS development, the neighborhood residents, business and financial leaders, and local government officials conduct a comprehensive neighborhood inventory and develop short and long-term goals, strategies and timetables to eliminate physical deterioration, strengthen the real estate market and improve the neighborhood's image.

Ten neighborhoods have already achieved a self-reliant status. They have shown that it can be done -- that victory can be declared -- and that not only can decline be reversed, but that a healthy, self-maintaining condition can be realized for previously declining urban neighborhoods. By the end of this fiscal year, at least 18 NHS neighborhoods will have reached the goal of self-reliance.

For the remainder of this fiscal year and in FY 1985, Neighborhood Reinvestment will be working with NHSs to establish measurable goals that can be used to determine when an NHS has reached a self-reliant state. We have begun recording a "goals achieved" category of NHS neighborhoods in our statistics measuring neighborhood impact.

Many NHSs are becoming more experienced in the delivery of core services and more sophisticated in developing strategies to meet new or previously insurmountable neighborhood challenges. Over 30% of the NHSs have added, or are adding, new major program components, such as commercial revitalization, Problem Properties Strategies, Owner-Built Housing and Apartment Improvement Programs.

For instance, one NHS is beginning a project in an additional neighborhood they have just taken on that is an outgrowth of their experience with the rehabilitation and sale of vacant properties in their initial neighborhood. The focus of the new project will be to acquire, rehab and sell 27 now vacant structures (totaling 47 units) to owner-occupants over the next two years. The NHS is working very closely with the local government (urban renewal authority to acquire properties, grant to assist with acquisition, UDAG participation); the local business community ($800,000 + mortgage pool, $800,000 + construction loan); and residents (marketing homes in their block) in putting together the project. The NHS' major criterion in the past, which will continue in this project, is to turn tenants into homeowners. Because of the NHS' excellent track record, they already have a waiting list of about 50 people who are interested in buying the units.

Another program that has been receiving national attention is the Owner-Built Housing program which is modeled after the traditional "barn raising." The significance of the program is that it enlarges homeownership opportunities in NHS neighborhoods by families collectively building their own homes, with supervision, coordination, and technical assistance provided by the NHS. Selected families invest 40 labor hours of work per week per family for a period of nearly a year. This investment of labor then enables the family to take title to a conventionally-financed home for as little as half the market value. The Owner-Built program started in Oakland, California and is being replicated in Santa Ana, California; Salt Lake City, Utah; Hartford, Connecticut; Nashville, Tennessee; Clackamas County, Oregon; Durham, North Carolina; Anchorage, Alaska; Pueblo, Colorado; Chelsea, Massachusetts; Minneapolis, Minnesota; and Stamford, Connecticut.

The Apartment Improvement Program, which has as its goal to provide an effective, economical means to revitalize and preserve neighborhoods containing multi-family housing for the benefit of the current tenants, is based upon a partnership of tenants and community representatives, property owners and managers, financial institutions, and local government. This four year old program will have begun or completed work on more than 15,000 multi-family units by the end of FY 1984 and to date has generated a total of approximately $100 million in conventional improvement loans and refinancing.

In another promising approach to supplying neighborhood rental housing, just getting started, we are pleased to report that the first residents of the Mutual Housing Association demonstration in Baltimore moved into their new homes in January. As you know, Neighborhood Reinvestment was encouraged to conduct a demonstration of this concept, which has been successful in Western Europe but is new to the United States, in the Housing Act of 1980. We believe that the mutual housing demonstration is a highly significant pilot effort to produce new or rehabilitated housing units for lower-income NHS neighborhood residents for whom homeownership is out of reach, and in communities where there is a shortage of decent, affordable rental units.

In the Baltimore demonstration, we believe that the committed and enthusiastic participation by the future residents in planning, designing, management and maintenance decisions gives promise of a continued high level of occupant responsibility and involvement after they move in. The member contributes to the cost of production with a one-time refundable fee, shares in maintenance and management responsibilities and has the privilege of life-time occupancy in a quality home at an affordable monthly cost. Dubbed "a step up from rental" by a Baltimore participant, this mutual housing model offers a new alternative which falls between America's two traditional housing forms -- ownership and rental -- combining aspects of the financial and maintenance responsibilities of the resident found in each.

As you know, the Mutual Housing Association national demonstration has made slow, difficult progress toward its first completed units without the availability of any federal capital grant assistance. The Mutual Housing Association of Baltimore continues to pursue funding from other sources and we expect that additional units will be started in June with an Urban Development Action Grant and proceeds of a private fundraising campaign.

Neighborhood Reinvestment has supported this demonstration through staff work in adapting the Western European concept to American cultural and institutional norms, organizational assistance, grants to cover early physical development costs, and technical services since the Mutual Housing Association incorporated; but has not provided funds for capital grants. We have focused our extremely limited resources on fulfilling our mission of establishing and providing grants and technical services to NHSs. Pursuant to the recent directive from the Appropriations Committees regarding our reprogramming request, we will be providing a capital grant of $500,000 to the Baltimore demonstration.

At least two-thirds of the 15 NHSs planned for development in FY 1985 are expected to be in response to requests from existing NHSs for assistance in providing services to additional neighborhoods. NHSs are becoming more and more experienced in the delivery of services and their partnerships are building them into strong, lasting institutions capable of serving a series of neighborhoods. We have determined that it is cost-effective to encourage an existing NHS that has met most of the goals in its original neighborhood to bring its resources to another one (usually with greater needs). This builds on the work of an established organization and staff that have a track record, and benefits from the strong working relationships already established with the local government officials and the local business community.

The unmet demand for the programs provided by Neighborhood Reinvestment has been significant over the past few years. Although we have limited any promotion of our activities because of our limited resources, we and local NHSs have nonetheless experienced increased inquiries for assistance.

The major demand factor is the many NHSs which are three or four years into revitalization of one or more neighborhoods and have found themselves importuned by residents of other neighborhoods, the city government and/or their contributors to make NHS services available to additional neighborhoods. Also, some of Neighborhood Reinvestment's programs have begun to receive attention by the national media -- especially Owner-Built Housing; and several sophisticated tools and strategies for neighborhood revitalization are needed by far more NHS neighborhoods than our present training and development resources can supply.

Adding to these increased demands, we anticipate that the national campaign conducted by The Advertising Council, which is unexcelled in its work to heighten public awareness of the public service programs it sponsors, will not only help with raising funds for NHSs, but may also heighten the demand for NHS programs to be developed in declining neighborhoods in additional communities.

Outlook

In fiscal year 1983, and thus far in fiscal year 1984, Neighborhood Reinvestment has attempted to balance new program development with continued technical assistance required by existing NHSs still facing economic challenges.

An increase in programmatic goals for FY 1984 was approved by the Corporation's Board of Directors based on the contributions received from agencies represented on our board, a contingency fund established with FY 1983 funds and carry forward of funds from FY 1983. NHS starts were to have increased from 13 to 17, Apartment Improvement Program starts from three to four, Owner-Built Housing starts from three to four, and Urban Lender from zero to one. Program reviews will be increased from 75 to 125 to keep our monitoring of active NHSs more current. Following disapproval of our reprogramming request by the Committees, a new reprogramming request was submitted March 27, 1984 targeting $500,000 to a capital grant for the Baltimore Mutual Housing demonstration as directed by the Chairmen of the Subcommittees. To do this, it was necessary to reduce NHS starts from 17 to 15.

Our request in FY 1985 for $15,271,000 is 1.6% less than appropriated in FY 1984. In 1984, Neighborhood Reinvestment received $400,000 from the Federal Home Loan Bank Board and $400,000 from the Federal Reserve Board; and in FY 1985, an equivalent level of support from Board member agencies has been assumed, although there are no present commitments for such support. We will also be attempting to increase funding from local sources through fees for training, publications and other services and increased funding by local entities of local developmental costs. However, it is unknown at this time whether the projected $600,000 can be realized. Overall, these projections place our revenues from all sources at approximately 1.1% less in FY 1985 than was available in FY 1984.

In closing, I am pleased to now take your questions on our budget request as detailed in our previously submitted budget justification.

Senator GARN. The only thing that disturbs me when you say you are pleased to appear again, and I am pleased to have you here, is that the years go by so rapidly. You are grayer and I am balder. [Laughter.]

I don't know, it is just always amazing to me. I don't know why the Appropriations Committee does this more than others. I suppose because in the Banking Committee we have different subjects. But having to go through the routine of all the appropriations hearings year after year, it just seems like it was 3 or 4—I don't say that just to you; any of the agencies that appear—it was 3 or 4 weeks ago that we went through this. So we will see you in 2 or 3 weeks for next year. [Laughter.]

Mr. WHITESIDE. I am probably grayer than most, though. [Laughter.]

Senator GARN. I don't worry about that. I accept any color. [Laughter.]

I don't worry about the color.

REPROGRAMMING

At last year's hearing we discussed at some length the role of this subcommittee in reviewing and reprogramming requests of the Corporation. As I indicated at that time, Chairman Boland and I take our oversight responsibilities seriously. Reprogrammings represent a particularly important part of that oversight.

On March 5, Chairman Boland and I responded to a letter of yours requesting a reprograming of $996,684. I was pleased with your response on March 26 which provides reprogramming of $500,000 to partially fund the Baltimore mutual housing project.

I was interested to see you proposed a decrease in your travel budget in order to accommodate the Baltimore project. How did the travel budget that you suggested in your February 22 letter compare to the travel estimate contained in your fiscal year 1984 budget request?

Mr. WHITESIDE. Help me with the dates.

Senator GARN. The February 22 letter.

Mr. WHITESIDE. This is our response to your reprogramming directive?

Senator GARN. Your first letter to us about the reprogramming and that is contained in your fiscal year 1984 budget request.

Mr. WHITESIDE. There was an increase in the amount for travel proposed, and in discussions with staff in this committee and in the House we determined that that would not be in keeping with the policies of the committees. So in reducing travel in our final reallocation we were making the adjustment necessary to bring the travel to within the limits that the committees would require.

Senator GARN. Under the 401, the original request.

Mr. WHITESIDE. Yes.

NHS NEIGHBORHOODS

Senator GARN. In your opening statement you refer to the fact that neighborhood housing services will be active in 196 neighborhoods in 139 cities in 43 States and the District of Columbia. How many neighborhoods would NHS be able to serve if you received the entire amount requested of OMB?

Mr. WHITESIDE. The initial impact of budgeted funds on our ability to serve neighborhood housing services is to create new ones. So we would be able to increase our starts with the approximately $20 million that we had requested of OMB by 7 more neighborhoods than in the budget that you are considering, which would have brought our neighborhood housing services starts to 22 in fiscal 1985.

Senator GARN. Is there a limit to the number of neighborhoods that the Corporation could administer in an effective manner? You and I have discussed this before. When we originally set up the Corporation, and made sure we kept it out of HUD, we wanted to move at what we considered an effective means so it didn't become too big too fast and have the difficulties that a lot of agencies have had. In other words, we are talking about capability. Given the limitations of the budget right now, what could you handle capabilitywise?

Mr. WHITESIDE. I think it is very much a question of the ability to have capable staff in the field. We felt in making our request to OMB for an enhanced level of $20 million that that 30-percent increase was something we could handle comfortably.

The total number of neighborhoods served is increased by the number of starts and decreased by the number of programs which have reached a self-reliant state. So we see a continuing number of about 200 neighborhoods served at this budget level.

In order to increase that to 250, 300 neighborhoods, we would need, in a very careful, calibrated way, to expand the staff necessary to provide services to those neighborhoods.

Senator GARN. Do you have any idea what your optimal rate of hiring would be that you could handle and train to expand?

Mr. WHITESIDE. I would think a 15- to 20-percent increase in staff in any given year would be well within our capacity. We had 15 percent more staff in fiscal 1983 than we have now. To get back to that level in a year would not be difficult. The productivity begins to show about a year later, of course. It takes a while.

RENTAL REHABILITATION PROGRAM

Senator GARN. Several times in your opening statement you refer to the Corporation activities relative to rehabilitation, renovation of the deteriorated or vacant structures. Did you discuss with HUD the possibility of piggybacking some of your rehab efforts on their newly authorized rehabilitation program?

Mr. WHITESIDE. Yes. We are very interested in those resources and are sharing with all of the neighborhood housing services programs the information on them as we get it. And as final regulations are available, we will share them with the neighborhood housing services programs.

Senator GARN. I would appreciate it, if it is feasible to coordinate your efforts with HUD, if you could let us know next month how that is coming along.

Mr. WHITESIDE. We would be pleased to do that.

NHS NEIGHBORHOOD SELF-RELIANCE

Senator GARN. In your testimony you discuss NHS neighborhoods reaching their goal of self-reliance and you mention that 10 NHS neighborhoods have achieved this goal at this time. You also note you are expecting a total of 18 neighborhoods to do so by the end of this fiscal year.

How do you monitor the neighborhoods' progress?

Mr. WHITESIDE. What our staff does in this regard is to work closely with the NHS's to encourage them to take on a pattern of reporting their progress which will focus on sub-neighborhoods.

We provided the committee with some sample maps. If you could refer to those, I will be able to tell you better what I mean.

In the sample map of the Baltimore programs in Patterson Park, the neighborhood in the northeast corner, which is Patterson Place, just above the park, had 2,000 units in it and was where the neighborhood housing services started. The NHS has now expanded its original area to a total area containing 10,000 units.

On the second map in the package you will see that the first neighborhood has reached the goals that were sought for it. An additional section is 90-percent complete. They are busily at work on a further target area and are beginning discussions on the northwest corner subneighborhood, which they call Hopkins East, that is next to the Johns Hopkins Hospital. It is an extremely deteriorated neighborhood, where they are going to need urban renewal activity to complement the NHS's work.

Being able to demonstrate progress toward completion is very important, both for fund raising and to help target efforts more effectively.

What we are doing now through our annual—or close to annual—program reviews is asking each NHS to produce for us a similar map showing progress in its neighborhoods.

Senator GARN. What happens to the resources that have been developed in neighborhoods after they reach their goal of self-reliance?

Mr. WHITESIDE. Some residual services remain available to the neighborhood, as individual problem properties need to be dealt with, as homes deteriorate over a period of time, as homeowners require assistance to keep up with maintenance. But the vast majority of those resources are targeted onto a new neighborhood.

BOARD SUPPORT

Senator GARN. Recently you received a total of $800,000 in contributions from the Federal Home Loan Bank system, the Federal Reserve Board. I see your budget assumes a similar contribution in fiscal year 1985. Do you have any commitment to date that these funds will be provided?

Mr. WHITESIDE. No, we have not. That is simply a planning projection. If you will note in our table, we didn't designate any particular agency to be contributing that amount. We have no commitments from anyone for any support in 1985. We are planning a straight-line projection, and, hopefully, we will receive a similar amount in 1985.

Senator GARN. The Fed can afford it. They have a $15 billion profit after paying for their own operating expense. It is the only governmental agency I know that produces that kind of a profit over and above what it costs them to take care of their own staff and operating expenses.

FEES FOR SERVICES

You are also assuming a payment of $600,000 from local governments and other entities for services rendered. This is considerably higher than the $315,000 received in fiscal year 1983 or your estimated fiscal year 1984 level of $280,000. Why are you expecting that kind of a large increase during fiscal year 1985?

Mr. WHITESIDE. This is another projection with a certain degree of uncertainty in it. We are doing that as a result of the Office of Management and Budget's direction to us to make a strong effort to increase our fee income. The only area of fee income that we have had thus far has been the payments by local governments for local developmental costs, which channels through our budget but is spent locally.

We will seek to increase that by increasing the proportion of our total cost we ask them to cover, and we will seek also, perhaps, to charge something for the training services that we make available, perhaps go to a wider audience with some of the training.

REDUCTION IN SERVICE LEVELS

Senator GARN. I understand that you will, under your fiscal year 1985 budget proposal, be operating at a 1.1-percent reduction which you mentioned from your fiscal year 1984 level. In fact, on page 5 of your opening statement you note that:

> In order to adequately serve the growing number of neighborhood programs with our shrinking staff resources, it will be necessary to effect some reduction in service levels.

However, in reviewing your workload table on page 31 of your justification, I don't see any large decreases in service levels. What specific services do you expect to reduce?

Mr. WHITESIDE. These are service levels which are captured under the heading, "Training and Technical Services." These are the services our field staff provide to NHS's on request. It includes fund-raising training. It includes conducting a board workshop when there has been a turnover of board membership to bring new members up to speed. It includes providing specific assistance on particular problem areas to NHS staff.

We have had a 63-percent growth in NHS neighborhoods since 1980 and a 6-percent growth in staff. Our staff has continued out of their own energy and commitment to provide essentially all services requested.

We can't do that anymore. We are seeing staff burnout and a higher rate of turnover. So we are going to have to require the staff to cut back and kind of limit the services to match the relatively reduced resources we now have.

IMPACT OF ADDITIONAL FUNDS

Senator GARN. What would be the impact on your fiscal year 1985 program if Congress provided an additional $600,000 and targeted these funds for grants?

Mr. WHITESIDE. My first comment would be that if the Congress were to do such a thing, I would hope they wouldn't target it all to grants because we don't have an office that disburses grant checks. Grants are a tool for our work. So if I were looking at an increased potential like that, I would suggest, perhaps, $200,000 for staff and related costs and $400,000 for grants. With that, we could increase NHS starts by perhaps two, owner-built by a couple, and the apartment improvement program by one or two.

Senator GARN. What additional private funds might you be able to leverage if you were able to get that kind of an add-on?

Mr. WHITESIDE. Over about a 6-year period, those programs would produce $30 to $40 million in reinvestment in their neighborhoods.

SUBMITTED QUESTIONS

Senator GARN. Senator Huddleston has some questions that he asks you to respond to in writing. I have an additional 13 pages of questions that I would like for you to respond to the subcommittee in writing, but I have no additional oral questions for you today.

Any other comments you wish to make?

Mr. WHITESIDE. Just thank you very much.

Senator GARN. Thank you very much for appearing. We appreciate the good work you do, Bill.

Mr. WHITESIDE. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

Amounts of Funds Committed To Grants

Question: Although your total FY 1985 program level is projected to be essentially the same as this year's (-$197,000 or about a 1% decrease), I note that the amount applied to grants and grant commitments will be reduced by $314,000 or 7.4%. Was this reduction taken in order to provide salaries and benefits necessary to support your proposed 193 full-time positions?

Answer: Salaries and benefits did increase between fiscal years 1984 and 1985 by $424,000 even though a reduction from 197 to 193 full-time positions is proposed. In order to compensate for this increase and other increases of $38,000 and to operate within an All Sources Budget $197,000 lower than in fiscal year 1984, it was necessary to reduce expenditures in other areas. This was accomplished by reductions in travel, professional services, telephone, postage and delivery, printing and supplies, other general and administrative costs, and grants and grant commitments. The grant line reduction reflects reduced output goals in Neighborhood Housing Services, Problem Properties Strategies, Owner-Built Housing, Energy Conservation, and Urban Lender Program starts.

One of the factors which exerts a downward pressure on our non-salary budget is that unlike other organizations under the oversight of this subcommittee, the Neighborhood Reinvestment Corporation has not been included in supplemental appropriations to cover cost-of-living adjustments. We have provided cost-of-living adjustments to our employees at the same time and in the same percentage range as federal employees. For FY 84 we provided a 3.5% adjustment in January and for FY 85 we projected a 3% adjustment, although now we understand that the administration's budget assumes a 3.5% increase for federal employees. Neighborhood Reinvestment has had to absorb the cost-of- living adjustments in its overall budget, rather than having the expense covered in a supplemental appropriation or in the Allowance (Functional Code 920) Section of the administration's budget. This has had the effect of further reducing the scarce resources available for grants and other non-salary costs.

Question: I see that in FY 84 you expect to target $158,000 of contributions from Board members to salaries and benefits, whereas in FY 85 you expect to apply the entire amount contributed to grants. What was the basis of this decision — is this an agreement that you reached with the Board Members?

Answer: We have not applied the contributions from Board Member agencies to continued operating functions of the corporation, such as salaries and benefits, because there is no assurance that the contributions will be provided in FY85.

Senator Garn—Continued

FY 84 Operating Plan Revisions

Question: Throughout your Budget Justification (e.g., pp. 20, 21, ect.) you include projected FY 84 levels. These levels do not reflect the changes proposed in your March 26 reprogramming letter. Could you please update these tables for the record?

Answer: The following tables and information from our Budget Justification reflect the changes for FY 84 contained in our recent reprogramming proposal. (The page numbers on the tables refer to page numbers in our Budget Justification.)

Table 2
NEIGHBORHOOD REINVESTMENT CORPORATION
SOURCES AND USES OF FUNDS - ALL SOURCES
FISCAL YEAR 1984 PROJECTED
(amounts in thousands)

	CONGRESS APPROP	BOARD MEMBER AGENCIES	PROJECT FUND	OTHER SOURCES	TOTAL
SOURCES OF FUNDS:					
Federal Appropriation	$15,512	$ -	$ -	$ -	$15,512
Federal Home Loan Bank System	-	400	-	-	400
Federal Reserve Board	-	400	-	-	400
Local Governments	-	-	280	-	280
Interest (projected earnings)	-	-	-	857	857
Balance, Start of Year	-	-	-	472	472
TOTAL SOURCES	$15,512	$ 800	$ 280	$1,329	$17,921
USES OF FUNDS:					
Salaries & Benefits	6,988	166	382	216	7,752
Travel	1,698	80	147	-	1,925
Professional Services	419	-	78	50	547
Conferences & Workshops	271	-	92	-	363
Rent	1,070	-	16	-	1,086
Telephone, Postage & Delivery	619	7	27	-	653
Printing and Supplies	346	2	33	-	381
Other General & Administrative	462	5	65	33	565
Grants & Grant Commitments	3,639	540	(560)	1,030	4,649
TOTAL USES:	$15,512	$ 800	$ 280	$1,329	$17,921

Table 3
NEIGHBORHOOD REINVESTMENT CORPORATION
SOURCES AND USES OF FUNDS - ALL SOURCES
FISCAL YEAR 1985 PROPOSED
(amounts in thousands)

	CONGRESS APPROP	BOARD MEMBER AGENCIES	PROJECT FUND	OTHER SOURCES	TOTAL
SOURCES OF FUNDS:					
Federal Appropriation Request	$15,271	$ -	$ -	$ -	$15,271
Boardmember Agencies	-	800	-	-	800
Local Governments and other entities (for services rendered)	-	-	600	-	600
Interest (projected earnings)	-	-	-	853	853
Balance, Start of Year	-	-	-	200	200
TOTAL SOURCES	$15,271	$ 800	$ 600	$1,053	$17,724
USES OF FUNDS:					
Salaries & Benefits	7,463	-	315	398	8,176
Travel	2,035	-	180	-	2,215
Professional Services	375	-	80	-	455
Conferences & Workshops	286	-	85	-	371
Rent	1,101	-	20	-	1,121
Telephone, Postage & Delivery	590	-	40	-	630
Printing and Supplies	320	-	40	-	360
Other General & Administrative	411	-	80	-	491
Grants & Grant Commitments	2,690	800	(240)	655	3,905
TOTAL USES	$15,271	$ 800	$ 600	$1,053	$17,724

An additional source of funding included in the printed budget schedules is a projection of interest earned. The Corporation earned about $914,000 on its fund balance in fiscal 1983. In 1984, the earnings from this source are expected to be approximately $857,000 and in fiscal 1985 about $853,000.

In fiscal years 1984 and 1985, all of the Corporation's available interest earnings are applied to fund grants. This source of funding enhances the Corporation's ability to achieve its programmatic objectives. Its availability is taken into consideration in arriving at the Corporation's budget submission to the Office of Management and Budget, and taken into consideration by the Office of Management and Budget in arriving at its budget recommendations.

2. Line Item Comparisons - Fiscal Years 1983-1984 Funding Request

Tables 4 and 5, on pages 27 and 28, provide a comparison of actual 1983 and projected 1984 and 1985 major line item expenses for Congressionally appropriated funds, and for all sources of funds. The justification for the request shown on Table 4 is provided by the paragraphs which follow:

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Salaries & Benefits ($000s)	$6,988	$7,463	$475	6.8

This line item provides salary compensation for 193 permanent positions and associated employee benefits.

The major benefits included are:

1. Health Insurance
2. Life and Disability Insurance
3. Retirement Program
4. Vision Care
5. Worker's Compensation
6. Payroll Taxes

These items collectively are budgeted at 30% of gross salaries in fiscal 1985. This is an estimate since many of these items are based on experience rates.

The 6.8% increase in this line is needed to annualize FY 1984 cost-of-living and merit increases; to fund an estimated 3.0% FY 1985 cost-of-living increase; and to provide for an average 2.0% merit increase in fiscal 1985. A decrease in staff from 197 to 193 full-time positions will be needed to limit the increase to the proposed amount.

Neighborhood Reinvestment Corporation staff are currently located Washington, D.C. and fourteen field offices. These field offices are used field staff who are directly involved in developmental processes and trainin and technical services across the nation.

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Travel ($000s)	$1,698	$2,035	$337	19.8

This line item provides funds for the business travel and related expenses for staff and for non-staff members who participate as resources in Neighborhood Reinvestment planning workshops. All air travel is calculated at economy airfare, hotel rates up to $40.00 per day (except in certain high cost cities), and meals at a maximum of $20.00 per day.

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Professional Services ($000s)	$419	$375	($44)	(10.5)

This line includes the cost for professional services provided through professional service contracts. It is expected that this expense will decline between fiscal 1984 and 1985 by 10.5 percent. Although many items in this category are unavoidable expenses such as legal fees, audit fees, and payroll services, reductions in professional services related to staff development and personnel are planned due to the completion of performance evaluations and pay and classification studies which will be completed in FY 1984 and not repeated in FY 1985. Other expenses such as those for training consultants are related to the level of services provided to NHS programs, and since this is expected to be maintained in fiscal 1985, use of professional training specialists will also remain approximately equal to FY 1984 levels. A schedule of professional service expenses planned for fiscal 1984 and 1985 follows on the next page.

NEIGHBORHOOD REINVESTMENT CORPORATION
Professional Services
(dollars in thousands)

	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
NHS Program/Training	$ 42	$ 32	($10)	(23.8)
Program Development	197	165	(32)	(16.2)
Accounting Services(EDP)	33	35	2	6.1
Legal Fees	37	30	(7)	(18.9)
Audit Fees/Internal Control	15	17	2	13.3
Publications	2	2	-0-	-0-
Staff Development	69	75	6	8.7
Personnel	13	10	(3)	(23.1)
Prog. Info. & Research	11	9	(2)	(18.2)
TOTAL	$419	$375	($44)	(10.5)

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Conferences & Workshops ($000s)	$271	$286	$15	5.5

This line item provides funds for expenses related to the educational conferences, training workshops, and staff meetings held by Neighborhood Reinvestment. The $15,000 increase in this line item reflects anticipated price increases, and the scheduling in FY 1985 of the National NHS Leadership Conference which is held on an 18-month cycle.

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Rent ($000s)	$1,070	$1,101	$31	2.9

The 2.9% increase in this line is needed to fund an average increase in rental contracts due to indexing. Some office consolidation may be needed to keep increases at this level and this possibility will be studied prior to FY 1985.

The field offices which, in addition to the Washington headquarters, will be funded by this line are the following:

Regional Offices:

Northeast Regional Office -- Boston, MA
Atlantic-Great Lakes Regional Office -- Atlanta, GA
Central Regional Office -- Kansas City, MO
Western Regional Office -- Oakland, CA

Other Field Offices:

East Orange, NJ
Yonkers, NY
Charlotte, NC
Cincinnati, OH
Chicago, IL
Dallas, TX
San Antonio, TX
Lincoln, NE
Denver, CO
Seattle, WA

NHS Staff Training Center - Chicago, IL

Apartment Improvement Program Office - Yonkers, NY

These regional and field offices are used by field staff who are directly involved in the developmental process and training and technical services across the nation. Other offices for one or more staff members have been set up within districts to minimize travel.

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Telephone, Postage, and Delivery ($000s)	$619	$590	($29)	(4.7)

This line provides funds for communication expenses of the Corporation including telephone installation in the Washington and field offices, and local and long distance toll charges for offices and individual staff members on business travel. Also included are Washington and field office postage and delivery needs.

Significant reductions in phone use or cost saving strategies will be needed if we are to achieve this reduction. The Corporation is studying several strategies for reducing its phone charges, including the possibility of purchasing phone equipment for its Washington and field offices.

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Printing & Supplies ($000s)	$346	$320	($26)	(7.5)

This line item provides funds for the development and printing of the annual report, quarterly newsletters, and several brochures on Neighborhood Reinvestment activities. In addition, the printing of manuals, forms, and letterhead are funded by this line item. Also included are photographic supplies and visual materials, as well as general office supply needs.

The 7.5% reduction in this line will be achieved by making maximum use of quantity discounts, discounts for early payment and economies in the use of supplies.

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Other General and Administrative ($000s)	$462	$411	($51)	(11.0)

This category of expense includes insurance, temporary clerical services, equipment rental and maintenance, subscriptions, publications, professional dues, classified ads, purchases of equipment and furniture, and miscellaneous expenses.

Significant reductions are planned in such line items as equipment rental, publications, dues and subscriptions, and classified ads in order to achieve the proposed level of savings.

The following is a detailed comparison of FY 1984 and FY 1985 expenses in this category ($000s):

Description	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Insurance	$ 15	$ 15	-0-	-0-
Agency Fee/Temp Help	46	40	(6)	(13.0)
Temp Clerical Svcs	21	19	(2)	(9.5)
Equipment Rental	156	128	(28)	(17.9)
Equipment Maintenance	40	40	-0-	-0-
Pubs, Dues & Subs	30	20	(10)	(33.3)
Classified Ads	16	11	(5)	(31.3)
Miscellaneous	18	18	-0-	-0-
Furniture/Equipment	120	120	-0-	-0-
TOTAL	$ 462	$ 411	$ (51)	(11.0)

Expense Category	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
Grants and Grant Commitments ($000s)	$3,639	$2,690	($949)	(26.1)

This line item provides for the following types of grants: Neighborhood Housing Services grants to seed the revolving loan funds of new and expansion programs; NHS reimbursable grants to assist NHSs to overcome temporary cash flow problems; Apartment Improvement Program grants to help defray initial operating costs particularly in the area of the computerized Real Estate Investment Analysis Model (REIAM); Neighborhood Program Development grants to assist NHS programs undergoing pilot replications of programmatic supplements; Neighborhood Preservation Projects grants to administratively support innovative, locally-operated neighborhood preservation programs that offer solutions to common NHS neighborhood concerns; Training and Educational grants to local NHS and AIP programs to ensure that program partnership and staff members are able to participate in specific training programs and educational workshops; Project Development funds to support individual program developments (particularly NHS expansion, AIP and NPD); Neighborhood Housing Services of America grants to further capitalize the national loan purchase pool, fund related operating costs, and provide for other contractual services, such as the development of public and private educational resources to substitute for Neighborhood Reinvestment's direct training activities and a one time capital construction grant to the Mutual Housing Association of Baltimore.

A list of estimated grant amounts to be funded in fiscal year 1985 follows ($000s):

Description	Projected Expenses 1984	Budget Request 1985	Increase (Decrease)	% Change
NHS Development & Expansion Grants	$ 625	$ 570	$ (55)	(8.8)
NHS Reimbursable Grants	150	100	(50)	(33.3)
AIP Grants	120	120	-0-	-0-
NPD Grants	1,268	1,000	(268)	(21.1)
NPP Grants	300	300	-0-	-0-
Training and Educational Grants	575	415	(160)	(27.8)
NHSA Grants	1,111	1,400	289	26.0
Mutual Housing Association	500	0	(500)	NM
Project Development	560	240	(320)	(57.1)
TOTAL	$5,209	$4,145	$(1,064)	(20.4)
Amount Funded From Other Sources	(1,570)	(1,455)	(115)	(7.3)
Appropriated Funds	$3,639	$2,690	$(949)	(26.1)

NM = Not meaningful

In order to avoid setbacks in programmatic activity, a large portion of the $949,000 reduction in appropriated funds allocated to this category must be offset by higher fees for NHS development, technical training and publications, which are planned. The extent to which this can successfully be done remains to be determined. Corporation staff during the remainder of fiscal 1984 will be developing a fee for service structure and doing some preliminary market testing of the user fee concept.

The apparent increase in the NHSA grant amount is due to the FY 1984 secondary market grant of $550,000 having been accelerated and paid in FY 1983. Adjusting for that $550,000, the budgeted $1,400,000 actually represents a reduction of $261,000 or 16%. This anticipates that fundraising costs will begin to be offset by fundraising receipts.

Table 4
NEIGHBORHOOD REINVESTMENT CORPORATION
LINE ITEM COMPARISONS
FISCAL YEARS 1983-1985 - CONGRESSIONAL APPROPRIATIONS
(dollars in thousands)

	FY 1983	FY 1984	FY 1983-1984		FY 1985	FY 1984-1985	
			Difference	% Change		Difference	% Change
Salaries & Benefits	$ 6,919	$ 6,988	$ 69	1.0	$ 7,463	$ 475	6.8
Travel	1,848	1,698	(150)	(8.1)	2,035	337	19.8
Professional Services	382	419	37	9.7	375	(44)	(10.5)
Conferences & Workshops	264	271	7	2.7	286	15	5.5
Rent	753	1,070	317	42.1	1,101	31	2.9
Telephone, Postage, and Delivery	409	619	210	51.3	590	(29)	(4.7)
Printing and Supplies	408	346	(62)	(15.2)	320	(26)	(7.5)
Other General and Administrative	410	462	52	12.7	411	(51)	(11.0)
Grants and Grant Commitments	3,799	3,639	(160)	(4.2)	2,690	(949)	(26.1)
TOTAL	$15,192	$15,512	$ 320	2.1	$15,271	$(241)	(1.6)

Table 5
NEIGHBORHOOD REINVESTMENT CORPORATION
LINE ITEM COMPARISONS
FISCAL YEARS 1983-1985 - ALL SOURCES OF FUNDS
(dollars in thousands)

	ACTUAL FY 1983	ESTIMATED FY 1984	FY 1983-1984		FY 1985 PROPOSED	FY 1984-1985	
			Difference	% Change		Difference	% Change
Salaries & Benefits	$ 7,833	$ 7,752	$(81)	(1.0)	$ 8,176	$ 424	5.5
Travel	2,104	1,925	(179)	(8.5)	2,215	290	(15.1)
Professional Services	466	547	81	17.4	455	(92)	(16.8)
Conferences & Workshops	360	363	3	0.8	371	8	2.2
Rent	1,035	1,086	51	4.9	1,121	35	3.2
Telephone, Postage, and Delivery	633	653	20	3.1	630	(23)	(3.5)
Printing and Supplies	445	381	(64)	(14.4)	360	(21)	(5.5)
Other General and Administrative	589	565	(24)	(4.1)	491	(74)	(13.1)
Grants and Grant Commitments	4,536	4,649	113	(2.5)	3,905	(744)	(16.0)
TOTAL	$18,001	$17,921	$(80)	(0.4)	$17,724	$(197)	(1.1)

3. Program Goals and Funding Request

Tables 6 and 7 provide a comparison of fiscal 1983, 1984 and 1985 program goals and funding requirements in the following categories:

NHS Development (New & Expansion Starts)

Programmatic Supplements - Pilot Replications
 Problem Properties Strategies
 Insurance Full Partnership
 Owner-Built Housing
 Commercial Revitalization
 Energy Conservation
 Urban Lender Program

Training and Technical Services
 Ongoing Training and Technical Services
 Program Reviews and Evaluations
 Secondary Market Capitalization Grant
 Training New Directors & Construction Specialists
 Local Program Staff & Partnership Training/Conferences & Workshops

AIP Development

AIP Training and Technical Services

Neighborhood Preservation Projects

Mutual Housing Association Development

Organizational Productivity

As our staff's experience base has broadened in providing technical services, their proficiency has also increased. We have been providing more services to a larger number of programs, with a smaller staff. This continuing increase in productivity is a major achievement. However, it has come at considerable personal cost to staff, with staff turnover increasing significantly due to "burnout." The further reductions in staffing in Fiscal Years 1984 and 1985 cannot be offset by increased workloads, and some reduction in service levels will be necessary.

Table 6
NEIGHBORHOOD REINVESTMENT CORPORATION
SUMMARY OF MAJOR FY 1983-1985 GOALS AND FUNDING REQUEST

	1983 ACTUAL	1984 ESTIMATED	1985 PROPOSED
RESOURCE REQUIREMENTS			
Budget Authority ($000s)	$15,512	$15,512	$15,271
Other Income ($000s)	2,990	2,409	2,453
Total ($000s)	18,502	17,921	17,724
Permanent Positions - FTEs	225	197	193
NEIGHBORHOOD HOUSING SERVICES - ESTABLISHING NEW, SUPPLEMENTING EXISTING, AND PROVIDING TECHNICAL SERVICES			
NHS Development (New & Expansion) Starts	16	15	15
Continued Development from Prior Year	25	18	17
Programmatic Supplements - Pilot Replications			
Problem Properties Strategies Starts	7	6	4
Continued Developments from Prior Year	7	11	2
Insurance Full Partnership Starts	1	0	4
Continued Developments from Prior Year	3	2	0
Owner-Built Housing Starts	5	4	3
Continued Developments from Prior Year	5	9	5
Commercial Management Starts	2	1	2
Continued Developments from Prior Year	3	3	3
Energy Conservation Starts	2	2	0
Continued Developments from Prior Year	0	2	2
Urban Lender Starts	0	1	0
Continued Developments from Prior Year	1	0	1
Training and Technical Services			
Ongoing Training and Technical Services (# of Programs)	184	196	213
Program Reviews and Evaluations (# of Reviews)	100	125	125
Secondary Market Capitalization Grant ($000s)	1,100*	0*	500
Training New Directors and Construction Specialists (# of Participants)	244	214	205
Local Program Staff and Partnership Training/ Conferences and Workshops (# of Participants)	2,140	2,300	2,400
APARTMENT IMPROVEMENT PROGRAM			
AIP Development Starts	6	4	3
Continued Developments from Prior Year	8	5	6
AIP Training and Technical Services (# of Programs)	22	24	27
RESEARCH AND PILOT REPLICATION			
Neighborhood Preservation Projects - New	12	25	25
Continued from Prior Year	40	41	50
Mutual Housing Association Development Starts	0	1	1
Continued Developments from Prior Year	1	1	1

*FY 1984 grant accelerated, paid during FY 1983.

Table 7
NEIGHBORHOOD REINVESTMENT CORPORATION
PROGRAMMATIC COMPARISONS
FISCAL YEARS 1983-1985 - ALL SOURCES OF FUNDS
(dollars in thousands)

			FY 1983-1984			FY 1984-1985	
	FY 1983	FY 1984	Difference	% Change	FY 1985	Difference	% Change
NHS Development	$ 3,651	$ 3,650	$ (1)	-	$ 3,520	$(130)	(3.6)
Programmatic Supplements	2,142	2,360	218	10.2	2,300	(60)	(2.5)
Training and Technical Services	6,335	5,907	(428)	(6.8)	6,409	502	8.5
TOTAL Neighborhood Housing Services	12,128	11,917	(211)	(1.7)	12,229	312	2.6
Apartment Improvement Program	821	794	(27)	(3.3)	819	25	3.1
Research and Pilot Replication	424	433	9	2.1	433	-	-
Mutual Housing*	0	500	500	**	0	(500)	(100.0)
General Administration	4,628	4,277	(351)	(7.6)	4,243	(34)	(0.8)
TOTAL All Programs	$18,001	$17,921	$ (80)	(0.4)	$17,724	$(197)	(1.1)

*Capital grant

**Percentage change not meaningful

Baltimore Mutual Housing Project

Question: What is your current schedule and financing plan for the Baltimore Mutual Housing program now that you have reallocated $500,000 to this project?

Answer: We had already budgeted in our FY 84 plans to provide $84,750 to the mutual housing demonstration in Baltimore to assist in covering the first year's operating costs and holding costs on the undeveloped land. A grant agreement for disbursing the $500,000 from the Neighborhood Reinvestment Corporation to the Baltimore Mutual Housing Association is currently being drawn up. It is our understanding that receipt of this grant, along with the UDAG that the Association was awarded and the current private fundraising effort, will enable the Baltimore demonstration to begin construction on 25 units early this summer and a significant number of additional units later in the year.

Rural Housing Development

Question: What can you tell us now about the unique problems encountered by the NHS approach in rural settings and what implications does this have for your future activities? What plans do you have for rural projects during FY 84 and FY 85?

Answer: Based on our experience, to date, in the adaptation of the NHS approach to rural settings, we can say that while rural NHSs can be effective in revitalizing rural communities, there is a major difficulty in this adaptation. This is in securing adequate financial resources for program operations.

NHSs are presently active in rural areas in Cattaraugus County, New York; Clackamas County, Oregon; Richland Center, Wisconsin; Mabton, Washington and central Vermont. In all of these NHS efforts, fundraising has proven to be an extremely difficult task. The principle reason for this is that the rural locations do not have a concentration of major home based lending institutions or other business corporations. Consequently, the programs are in an ongoing struggle to tap private sector resources, while relying primarily on essentially temporary funding from the public sector.

In Vermont, the NHS was developed with a statewide structure to seek private funds on a statewide basis for program operations in the communities being served. This approach is being monitored and may, long term, be the most promising for rural NHSs.

Another significant challenge in rural NHS development is in attracting qualified individuals to the rural setting to staff the program. In several instances, this challenge has been met by the transition of Neighborhood Reinvestment development staff into the permanent NHS staffing roles.

We have no plans to initiate other rural NHS developments in FY 1984 and 1985, unless we should encounter a development possibility where ample private financial resources are available.

We will continue providing, when needed, support to the existing rural programs, and monitor their progress. We hope to learn more about how rural NHSs can obtain the benefits from the public/private partnership that has been so successful in urban neighborhoods.

Energy Conservation

Question: You have been working with several NHSs across the country in developing comprehensive and effective energy conservation programs to combat rising fuel and utility costs. Last year, I noted that as a result of this you were awarded an energy conservation grant by the Ford Foundation and I asked you about your activities in the energy conservation area. Could you bring us up-to-date on your energy activities in FY 84 and FY 85?

Answer: In the past year Neighborhood Reinvestment has funded NHS energy conservation projects in Quincy, Massachusetts and Beloit, Wisconsin and has continued its work with the AIPs in Pelham Parkway and Northwest Bronx.

Energy Conservation - NHS

The NHS programs are based on composite models derived from the successful programs developed in conjunction with the Ford Foundation grant. This model builds on and expands the traditional NHS partnership to include utility companies, contractors trade associations and related energy companies. The energy partners' technical skills add depth to the rehabilitation process and enable the NHS staff to more effectively analyze residential and commercial properties. The addition of energy conservation services also assists the NHSs in marketing their services to a broader group of neighborhood residents.

The activities of the first six months of the Quincy NHS Comprehensive Energy Program are impressive. The NHS has conducted two energy workshops, 15 audits, 22 units of weatherization and four major energy rehabilitation projects. To date the energy component has generated nearly as much activity as the number of revolving loans made since initiating services in Quincy three years ago. The Board has designated energy conservation as the programmatic priority and has set aside $20,000 in loan funds for energy conservation services. To aide the NHS in expanding the level of available services, the City of Quincy has committed an additional $5200 to sponsor vocational students as weatherization workers in the NHS area.

The Beloit NHS has a history of involvement in energy conservation activities. The NHS is building upon its overall neighborhood revitalization plan. The major elements are:

1. An energy conservation fund to meet the needs of low and moderate income NHS residents not served by existing local resources.

Senator Garn—Continued

2. A newsletter with special focus on local energy sources.

3. Rehabilitation of a neighborhood problem property to achieve maximum energy efficiency and to serve as a case study for other NHSs.

4. An educational program to draw in residents from the recently expanded service area.

Energy Conservation - AIP

A recent survey of 25 apartment buildings in the Northwest Bronx and Pelham Parkway (NY) area which had energy rehabilitation work, in the form of new windows, boilers and burners, in place for at least one winter season, documents the before and after energy rehabilitation fuel costs. The fuel savings ranged from a low of 3% to a high of 38% and breaks down as follows:

1. If owners installed windows, boilers and burners, the average fuel savings was 22%.

2. If owners installed windows only, the average fuel savings was 18%.

3. If owners installed boilers and burners only, the average fuel savings was 16%.

The survey demonstrated that an apartment building owner should be able to expect a reduction in fuel costs as a result of energy conscious rehabilitation work and in addition, the resulting increase in building value provided the basis for financing these and other improvements. Information from the survey is used as a training device with AIP staff.

In FY 84, we plan to make two Energy Conservation grants to NHSs which will replicate the successful programs to date. Additionally, five smaller incentive grants will be awarded to encourage NHSs to incorporate energy conservation awareness into their core services. Neighborhood Reinvestment staff will continue to train NHS staff through intensive classroom sessions and to prepare energy conservation training materials suitable for use by local residents and board members. Also, a series of projects have been implemented to establish energy conservation guidelines for the Owner Built Housing, Neighborhood Commercial Management and Problem Property Strategies components.

The Ford Foundation grant has been extended through November 1984 to enable Neighborhood Reinvestment staff to complete the study of multi-family (AIP) energy conservation techniques and to continue our regional training and conference activities. For FY 1985, plans are underway for a National Energy Conference which will be jointly sponsored by Neighborhood Reinvestment and the utilities involved with NHSs in each region.

Resources Needed To Maintain FY 84 Level Services

Question: What resources would you require to maintain your FY 84 level of services during FY 85?

Answer: To maintain approximately the same level of output in FY 85 as delivered in FY 84 would require an additional $1.05 million. This estimate takes into account the 9% growth in the number of neighborhoods that will be served by NHSs and the 8% growth in the number of neighborhoods that will be served by AIPs. Our requested output level is only slightly less than that in 1984. To return to the 1984 level would require the addition of one AIP and several key NHS programmatic supplements (two Problem Properties Strategies, one Owner-Built program, one additional Urban Lender Program, and continue support of NHSs establishing working partnerships with utility companies.) We have assumed that the funds allocated to a capital grant to the Mutual Housing Association of Baltimore in FY 1984 would be allocated, as originally projected, to two NHS starts in FY 85.

We have assumed in answering this question that the two tentative sources of funding would be forthcoming. Should the agencies decline to contribute some or all of the $800,000 estimated in the budget or should we not generate fee income up to the $600,000 estimate, the shortfall would result in further degradation of services in FY 85 compared with FY 84.

Neighborhood Commercial Management Program

Question: The Neighborhood Commercial Management Program has been designed to assure the viability of commercial districts by strengthening small businesses, improving the physical environment of the area and providing additional goods, services and employment for the community. What are your plans for FY 84 and FY 85?

Answer: In FY 84 Neighborhood Reinvestment plans to develop one Neighborhood Commercial Management Program. Neighborhood Reinvestment will work with the NHS to develop a commercial partnership (incorporating merchants and property owners); take inventory of the commercial district and analyze future market potential; and formulate a development strategy. A program will then be structured to promote a positive image in the district, market vacant buildings and underutilized space to merchandisers of needed goods and services, provide financial incentives for property improvement and business development, and manage parking, security and maintenance of the district.

In addition to the new commercial program development this fiscal year, Neighborhood Reinvestment will provide technical assistance to several other NHSs which have as a priority in their neighborhood revitalization strategy the turn-around of their commercial districts. With this goal in mind, NHS commercial assessments have or will take place in Kansas City, Kansas; Shreveport, Louisiana; Richmond, Virginia; Anchorage, Alaska; and Hartford, Connecticut.

Neighborhood Reinvestment anticipates a comparable level of effort in neighborhood commercial revitalization during FY 1985.

Unobligated Balances

Question: What do you expect your FY 84 unobligated balances to be?

Answer: In preparing our Budget Justification for FY 85 we estimated that the Corporation could expect an unobligated balance of $200,000. While this projection now appeared to be on the low side, we are unable to project a more precise estimate at this time.

Contracts With Neighborhood Housing Services of America

Question: Could you please provide for the record a description of the services the Corporation is expected to contract from Neighborhood Housing Services of America?

Answer: In FY 1985, Neighborhood Reinvestment expects to contract with Neighborhood Housing Services of America to provide services in the following areas:

-- secondary market operations;
-- financial development assistance for NHS programs and the national fundraising campaign; and
-- educational development project to increase the pool of qualified staff for NHS programs.

A complete description of current Neighborhood Housing Services of America activities is provided in Apppendix I of the FY 1985 budget justification.

OMB Request

Question: Please prepare, for the record, a comparison of your OMB request and current Budget Submission, using the same level of detail as appears on page 27 of your Budget Justification.

Answer: Our submission to OMB was based on a level of service that we feel is attainable without sacrifice in the quality of our delivery. In order to prepare a line item estimate as appears on page 27, we should first review the difference in output assumptions between our requested FY 85 budget and our OMB FY 85 submission. That comparison is contained on the following table. The first column states our current request. The second column reflects our request of OMB.

The second table is an estimate of the distribution of the total resources by line item. The first year impact of operating at a higher budget plateau is largely felt in the salary and grant lines. In later years, once staff is trained and the increased developments are well underway, we would anticipate the other line item expenditure rates to increase in a way more closely proportional to the total increase in budget resources.

Table 1
NEIGHBORHOOD REINVESTMENT CORPORATION
COMPARISON OF MAJOR FY 1985 GOALS: FUNDING REQUEST AND OMB SUBMISSION

	1985 PROPOSED	FY85 OMB SUBMISSION
RESOURCE REQUIREMENTS		
Budget Authority ($000s)	$15,271	$20,049
Other Income ($000s)	2,453	-
Total ($000s)	17,724	-
Permanent Positions - FTEs	193	232
NEIGHBORHOOD HOUSING SERVICES - ESTABLISHING NEW, SUPPLEMENTING EXISTING, AND PROVIDING TECHNICAL SERVICES		
NHS Development (New & Expansion) Starts	15	22
Continued Development from Prior Year	17	17
Programmatic Supplements - Pilot Replications		
Problem Properties Strategies Starts	4	7
Continued Developments from Prior Year	2	2
Insurance Full Partnership Starts	4	4
Continued Developments from Prior Year	0	0
Owner-Built Housing Starts	3	6
Continued Developments from Prior Year	5	5
Commercial Management Starts	2	5
Continued Developments from Prior Year	3	3
Energy Conservation Starts	0	10*
Continued Developments from Prior Year	2	2
Urban Lender Starts	0	2
Continued Developments from Prior Year	1	1
Training and Technical Services ($000s)	$6,409	$8,110
Ongoing Training and Technical Services (# of Programs)	213	213
Program Reviews and Evaluations (# of Reviews)	125	125
Secondary Market Capitalization Grant ($000s)	500	500
Training New Directors and Construction Specialists (# of Participants)	205	248
Local Program Staff and Partnership Training/ Conferences and Workshops (# of Participants)	2,400	2,400
APARTMENT IMPROVEMENT PROGRAM		
AIP Development Starts	3	6
Continued Developments from Prior Year	6	6
AIP Training and Technical Services (# of Programs)	27	27
RESEARCH AND PILOT REPLICATION		
Neighborhood Preservation Projects - New	25	31
Continued from Prior Year	50	50
Mutual Housing Association Development Starts	1	2
Continued Developments from Prior Year	1	1

* NHS/utility company partnership small scale incentive grants

Table 2
NEIGHBORHOOD REINVESTMENT CORPORATION
LINE ITEM COMPARISONS
FISCAL YEARS 1983-1985 - CONGRESSIONAL APPROPRIATIONS/OMB SUBMISSION
(dollars in thousands)

	FY 1983	FY 1984	FY 1983-1984		OMB Submission*	FY 1984-1985*	
			Difference	% Change	FY 1985	Difference	% Change
Salaries & Benefits	$ 6,919	$ 6,988	$ 69	1.0	$ 8,283	$1,295	18.5
Travel	1,848	2,039	191	10.3	2,503	464	22.8
Professional Services	382	419	37	9.7	515	96	22.9
Conferences & Workshops	264	271	7	2.7	298	27	10.0
Rent	753	1,080	327	43.4	1,296	216	20.0
Telephone, Postage, and Delivery	409	619	210	51.3	749	130	21.0
Printing and Supplies	408	346	(62)	(15.2)	408	62	17.9
Other General and Administrative	410	462	52	12.7	545	83	18.0
Grants and Grant Commitments	3,799	3,288	(511)	(13.4)	5,452	2,164	65.8
TOTAL	$15,192	$15,512	$ 320	2.1	$20,049	$4,537	29.2

*OMB Submission at the enhanced level. Note: This level of line item detail was not required for the OMB Submission decision packages; therefore, these figures had to be interpolated in order to construct the requested comparative table.

Public Service Advertising

Question: In your opening statement, you describe your activities with The Advertising Council, Inc. for a National Public Service Advertising Campaign. You note that the first part of the campaign will begin this Spring with a series of Public Services Ads. Will the Corporation be using any appropriated funds for this advertising effort, who will actually be producing the copy for these ads and what is the population that has been targeted by the ad campaign?

Answer: We are pleased that the Advertising Council, Inc., selected Neighborhood Housing Services as one of their public service advertising clients, and believe that this will create the backdrop of name recognition and national significance needed to increase private sector support for local NHS operating budgets, and for the national secondary market for NHS revolving loan funds operated by NHSA. The David W. Evans, Advertising Agency of Salt Lake City, Utah, provided their services to the Ad Council in drafting and producing the copy for the ads. The first four ads feature Chief Executive Officers' pictures on the ad, discussing NHS. The ads include the CEOs of Clorox, Standard Oil of Ohio, Sun Oil and Metropolitan Life, each commending NHS to other major corporations to satisfy their objectives of contributing to a better community.

The ad campaign is directed to the American business community, with the first ones being distributed to over 3,000 business press publications in April, with publication scheduled for May. In working with the Advertising Council during the application process and implementation of the business press campaign, Neighborhood Housing Services of America estimates that less than $10,000 in staff time and travel was incurred. The source of these funds was Neighborhood Reinvestment Corporation's grant to Neighborhood Housing Services of America of appropriated funds. An additional $86,000 to pay for the direct costs of production of materials for the campaign is being raised by NHSA from private sources. The estimated outcome of this application of public and private funds will be free advertising for the NHS network the value of which is estimated at between $10 and $15 million.

Private Sector Contributions

Question: In your opening statement you note that insurance companies and other segments of private sector have greatly increased their contributions to local NHS operating budgets. Some of the pressure to provide increased levels of support resulted from the problems experienced by S&L's over the last several years. What is the Corporation doing to assure that these high levels of non-S&L contributions are maintained?

Answer: One of our highest priorities is to help NHSs maintain and increase private sector contribution support for their operating budgets. We are accomplishing this in the following ways:

1. Through grants to Neighborhood Housing Services of America (NHSA):
    a. to enhance the level of private sector leadership available to NHSs for fundraising campaigns;
    b. to secure below-market institutional investments in NHSA secondary market securities as well as private sector contributions to support the costs of secondary market interest rate subsidies, over-collateralization, guarantee funds and operating costs;
    c. to provide direct fundraising assistance to a number of NHSs each year;
    d. to provide fundraising training to Neighborhood Reinvestment Corporation staff;
    e. to work with the Advertising Council to implement a public service campaign on behalf of Neighborhood Housing Services to increase NHSs' name recognition and establish a climate of national importance to assist in the recruitment of business leaders for national and local fundraising activities.
2. Fundraising training is provided at NHS national and regional conferences to enhance local board and staff fundraising skills.
3. Neighborhood Reinvestment Corporation field staff:
    a. counsel NHS boards and staff on an ongoing basis in dealing with fundraising needs; and
    b. in new NHS developments, work towards establishing a private sector leadership base from which to recruit top-level fundraising leadership for broad corporate fundraising campaigns.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

Self-Reliant Neighborhoods

Question: Which 18 neighborhoods have you brought to their goal of self-reliance? Approximately how long does it take to reach that goal?

Answer: Ten NHS neighborhoods have attained their goal of self-reliance at this time, with eight more projected to reach that goal by the end of this fiscal year, making a total of eighteen. We do not yet know which specific eight NHS neighborhoods will achieve self-reliance in the next few months, but are assuming that of the NHS neighborhoods we are working with that are near the completion stage, at least eight will reach the self-reliant goal by the end of September 1984.

There are numerous variables affecting when an NHS neighborhood will reach a healthy self-reliant state. Each neighborhood varies in population, private sector support, degree of deterioration, complexity and in the priorities and goals established by the local NHS board. The ten NHS neighborhoods (listed below) took an average of 6.4 years to reach self-reliance.

Baltimore, Maryland - Patterson Park (Banner Neighborhoods)
Barberton, Ohio - Van Hyning
Cincinnati, Ohio - Madisonville
Dallas, Texas - Love Field
Hartford, Connecticut - Blue Hills
Pueblo, Colorado - Minnequa Heights
Racine, Wisconsin - Northside
St. Paul, Minnesota - Merriam Park
South Portland, Maine - Ferry Village
Tampa, Florida - Hyde Park

Definition of Self-Reliance

Question: What is your definition of "self-reliance"?

Answer: A self-reliant state for an NHS neighborhood is generally reached when a neighborhood exhibits a healthy, fully functioning real estate market, has ready availability of lending and insurance services, has a positive image, and when organized neighborhood residents demonstrate the ability to maintain the neighborhood as a desirable place to live--a neighborhood of choice.

We are currently working with several NHS neighborhoods to systematize the setting and attaining of neighborhood goals so that progress can be more explicitly monitored towards the goal of self-reliance. Needless to say, the vision of a neighborhood varies from NHS to NHS, and each NHS partnership establishes its own set of neighborhood impact goals. We expect that in most cases there will be a continued availability of some level of residual services for the neighborhood but that the main thrust of NHS services will become focused on other neighborhoods requiring its assistance.

Support from Insurance Companies

Question: What accounts for the increased support from insurance companies?

Answer: The first insurance company support for NHS came in 1978 when The Equitable Life Assurance Society of the United States, following a Ford Foundation introduction, made the initial purchase of a Neighborhood Housing Services of America security backed by a pool of NHS revolving loan fund loans, thus launching our secondary market. Initial work with property-casualty insurers began six years ago, when we initiated development of Insurance Industry Full Partnership programs to increase the accessibility of standard homeowners insurance in NHS neighborhoods and to broaden the base of financial support and leadership for NHS. About 20 major national property-casualty insurers, as well as many local companies, are now active in the 11 NHSs which currently have Insurance Industry Full Partnership programs. As senior executives of insurance companies have become personally interested in and actively supportive of NHS programs, their companies have also responded positively to invitations to make social investment commitments to the secondary market.

The Prudential Insurance Company of America's involvement began with the support for NHSs in their home office area. A Prudential executive is President of the Newark NHS. Life insurance industry involvement expanded when the Center for Corporate Public Involvement of the American Council of Life Insurance helped us interest the Metropolitan Life Insurance Company, the New York Life Insurance Company and The Equitable Life Assurance Society of the United States in the multi-neighborhood expansion of the New York City NHS. An executive of Metropolitan serves as President of the New York City NHS.

Over 130 insurance companies have participated in NHS efforts locally and nationally. Contributions to local programs have surpassed $4 million, and insurance company Note Purchase commitments with Neighborhood Housing Services of America (NHSA), in support of the secondary market, total $17.5 million.

Reduction of Service Levels

Question: You note in your statement that some reduction of service levels will be necessary in fiscal 1985. What will these reductions entail? What resources would be necessary in order to avoid a reduction in services?

Answer: As indicated in my opening statement, the service level reductions are taking place during fiscal 1984, and are expected to continue into 1985. From FY 1983 to FY 1984, there has been a 7% growth in the number of NHS programs to be served, accompanied by an 8% reduction in staff. As I mentioned in my testimony, our field staff has attempted to continue the same service levels by increasing their personal workloads -- with predictable stress and burnout as a result. We are presently reviewing the levels and types of training and technical services we provide to determine where service reductions can be achieved with the least amount of adverse impact. Services being reviewed include:

1. Local training workshops for NHS board, staff and committee members: goal-setting, fundraising basics, neighborhood impact and inventory, lending practices, computer utilization, leadership development; etc.;
2. Onsite organizational assistance and problem-solving in such areas as: staff recruitment and evaluation, personnel policies, legal responsibilities, committee functions, bookkeeping, recordkeeping and accounting, other management systems;
3. Counseling in such areas as: community relations, marketing, construction processes, fundraising, neighborhood strategy development, etc.;
4. Application and packaging assistance for CDBG, Section 8, etc.

With regard to the resources necessary to avoid such a service-level reduction, the best measure of such resources is the reduction of service levels between fiscal year 1983 and fiscal year 1984 shown in the comparative data in table 7, page 32, of the Budget Justification under "Training and Technical Services." In fiscal year 1983, $6,335,000 was spent for this purpose; in fiscal year 1984, we have only been able to budget $6,107,000 for this purpose. During this period, the number of programs to be served rose from 184 to 196. To have kept pace with the growth in numbers of NHSs to be served, $6,748,000 would have been required, or $7,086,000, allowing for 5% inflation.

Thus, in order to have maintained the fiscal 1983 level of Training and Technical Services in fiscal 1984, an additional $979,000 would have been necessary.

(Note: In our response to Senator Garn's question regarding the resources which would be required to maintain fiscal year 1985 services at the fiscal year 1984 level, the reduced fiscal 1984 Training and Technical Services levels were included in the base. In order to maintain fiscal 1983 Training and Technical Services levels into fiscal 1985, it would be necessary to increase the $1.05 million figure given in answer to Senator Garn's question by approximately $800,000.)

Tenant-Homeowner Conversion Success Rate

Question: Do you have any information on how many of the tenants-turned-homeowners remain homeowners after, say, five or ten years?

Answer: The only NHS with a sufficiently long track record to answer this question is the Baltimore NHS. Since 1975, the Baltimore NHS has assisted approximately 450 neighborhood tenants become owner-occupants. In each case, the NHS provided counseling and loan assistance from the revolving loan fund. The bulk of this activity occurred during 1977-1980 and it was slowed considerably by the high interest rates from that point on. The experience has been overwhelmingly positive; only 25 of the 450 new homeowners have been unable to continue in the homeowner status. A total of 94.4% of the former neighborhood tenants are continuing to have a successful experience as homeowners.

Owner-Built Housing Standards

Question: How have you sought to ensure that Owner-Built Housing meets local code requirements as well as the minimum property standards of HUD and Farmers Home Administration?

Answer: All Owner-Built Housing plans are reviewed by city or county building departments for approval of all specifications. In this manner the city or county certifies that the plans meet building code requirements. The homes are inspected on a regular basis by inspectors from the city/county, lending institutions involved with the construction financing and the title companies. To further ensure that the houses are of good quality, qualified construction staff are on the site working with the owner-builders.

Because the minimum property standards of HUD and Farmers Home tend to be at or below the building code requirements of local governments, Owner-Built Housing, in meeting city or county requirements, often surpasses HUD's and the Farmers Home Administration's minimum property standards. In addition, Owner-Built Housing is conventional stick built construction and uses specifications upgraded to meet energy conservation concerns. Specifications include:

1. 2x6 exterior walls

2. Minimum spans on floor joists

3. Dual and triple pane windows

4. R19 exterior wall and floor insulation

5. R50 ceiling insulation

Question: Are you familiar with the "Warm and Dry" housing concept being used in some rural areas; and if so, how does the Owner-Built program compare with it?

Answer: Our understanding of "Warm and Dry" housing is that it is very simple housing offering basic shelter and provided to low-income families in emergency situations. In an emergency situation, Warm and Dry housing presents a good solution by offering needy people safe, warm, dry shelter which is delivered in a whole house format directly to the site.

Owner-Built Housing is not designed to provide emergency shelter. Owner-Built Housing is a way for moderate income families -- through the investment of about 2000 hours of hard work -- to obtain affordable, well designed homes that enhance the neighborhood and are acceptable to surrounding residents.

NATIONAL CREDIT UNION ADMINISTRATION

STATEMENT OF EDGAR F. CALLAHAN, CHAIRMAN

ACCOMPANIED BY:

WILLIAM C. POLING, BUDGET OFFICER
CHARLES (CHIP) FILSON, PRESIDENT, CENTRAL LIQUIDITY FACILITY
WENDELL SEBASTIAN, GENERAL COUNSEL

BUDGET REQUEST

Senator GARN. Next we will invite to the witness table the National Credit Union Administration.

The National Credit Union Central Liquidity Facility is a mixed-ownership Government corporation managed by the National Credit Union Administration Board. It is owned by its member credit unions who contribute all of the capital in the form of shares. The purpose of the facility is to improve the general financial soundness of credit unions by meeting their liquidity and stabilization needs.

Once again this year you are requesting a $600 million borrowing authority and a limitation of $850,000 on your administrative expenses.

Mr. Callahan, given our usual tight hearing schedule, I don't often get the opportunity to let a witness read their statement, but in your case, I would like to make an exception. [Laughter.]

I would also state for your information that—I need to tell you a story about this. Maybe I am getting into trouble, because your statement is very brief. But once before the Senate Banking Committee Chairman Volcker was there to testify and he had a very long statement, as he usually does, and I asked him if he would summarize his testimony, which he did. The next time he came back I asked him if he would please read his entire statement because it would take less time than the summary he gave me at the previous hearing. [Laughter.]

But I did want to say, before you read your entire statement, that we did report out yesterday, out of the Banking Committee, the $850 million. There was no controversy at all. As a matter of fact, we didn't even have to hold a markup. There was no objection. It was just polling it out of the committee. So that has been done.

Would you please proceed.

STATEMENT OF EDGAR CALLAHAN

Mr. CALLAHAN. Thank you, Mr. Chairman. Good morning.

Mr. Chairman and members of the subcommittee, accompanying me to discuss the appropriation request for the National Credit Union Administration's Central Liquidity Facility are Bill Poling, Budget Officer; Chip Filson, President of the Central Liquidity Facility; and Wendell Sebastian, our General Counsel.

For fiscal year 1985 we are requesting a $600 million limit on new loans, the same number as the previous 4 years. The expense limitation of $850,000 is the same as the current fiscal year.

While this lending limit is greater than current outstandings, we believe that the nearly fourfold increase in CLF membership and the continuing increase in consumer lending at credit unions will lead to a greater demand for CLF loans. In addition to this rise in credit union loans, the liquidity in the corporate credit union system which had risen dramatically throughout 1980 to mid-1983 is now declining.

It is important to bear in mind, however, that the low level of CLF outstandings is in itself an indication of credit unions' ability to successfully compete in the current market and interest rate environment.

I am very pleased to note that due to your efforts, Mr. Chairman, the chances for a legislative solution to the CLF tax liability are very good. Your bill, S. 2120, has been incorporated into a bill to capitalize our share insurance fund and consideration by the Senate is imminent. A similar bill, H.R. 4556, has been introduced by Chairman St Germain and we expect House concurrence with a Senate-passed bill.

Thank you, Mr. Chairman.

Senator GARN. Thank you very much.

NEW APPROPRIATION LANGUAGE

This year you are requesting a change in your appropriations language. The new language excludes reference to the Secretary of the Treasury. Why are you requesting this change, and what are the implications of this change in terms of the borrowing authority for the CLF?

Mr. CALLAHAN. I will ask the President to answer that. I don't know.

Mr. FILSON. The change in language was initiated by OMB to have us conform to their standard way of presenting our borrowing obligations. The specific impact will be that instead of having a set ceiling on outstandings of $600 million, and our ability to borrow under that ceiling at any point in time, that we will be limited to $600 million new loans and not have any limit except in the law on outstandings. That limit is 12 times our subscribed capital stock and surplus.

TAX EXEMPTION STATUS

Senator GARN. Once again this year your budget justification notes that the status of the Facility's tax exemption is still pending. Can you bring us up to date on the status of the exemption? Do you know anything I don't know at this point?

Mr. CALLAHAN. It was reported out of committee yesterday unanimously and went to the floor, as you just told me. That is good news.

Senator GARN. Do you know anything beyond that immediate action of our committee?

For the benefit of the subcommittee, when I have my other hat on, and maybe not knowing what is going on, the Senate Finance Committee proposed taxation of $300 million on credit unions. This did not make a great deal of sense to me when we are in the process of negotiating a $200 million increase in CLF plus the $850 million in the shares, for a total of over a billion dollars. So we requested the Senate Finance Committee that they not approve the $300 million taxation, as we were in the process and in a matter of weeks would have it reported out. And as far as the budget deficit is concerned, $1 billion is a much better deal than $300 million any time.

So the Senate Finance Committee was willing to back off. We have been able to keep our commitment by reporting it out yesterday to the floor.

IMPACT OF TAXING CLF

In last year's hearing you estimated that if the exemption was not enacted, you would expect a tax liability of $400,000 during fiscal year 1984. What do you now estimate your fiscal year 1984 liability will be?

Mr. CALLAHAN. Just about the same, Mr. Chairman.

Senator GARN. Do you have an estimate for fiscal year 1985?

Mr. CALLAHAN. The Board has set a policy to try and reach a million dollars in reserves. If the tax liability isn't removed, I would estimate we would be close to half a million dollars liability next year.

Senator GARN. Suppose this hadn't worked out. What would be the impact of this tax liability on your borrowing activities?

Mr. CALLAHAN. Really, Mr. Chairman, I don't believe that it would limit our ability to borrow from the Federal Financing Bank at all. In effect, we have here a question of taxing a Government entity. We have had no problem with people in agreement that it shouldn't be. It was just that they missed putting it in the enabling legislation in 1978. That is sort of a housekeeping chore to bring it up to date. Should we have to pay up all of this back liability, however, it would probably greatly hamper our ability to pay dividends at close to a market rate to the investors in the Facility.

GOAL OF INTEREST RATE SPREAD

Senator GARN. Last year I asked you whether you had established any objective or goal relative to a target interest rate spread for the Facility. At that time you stated a goal of 100 basis point spread should be maintained. What is the current situation?

Mr. FILSON. Year to date, for the current fiscal year, is 68 basis points. Our target is to try to retain a spread of 100 basis points at all times on our loan portfolio.

NEW OBLIGATION AUTHORITY

Senator GARN. For the last several years the National Credit Union Administration has requested a $600 million borrowing authority. This year you are also requesting a $600 million obligational authority limitation.

As you note in your budget justification, the Credit Union Board approved a proposal to provide CLF membership to all credit unions in the corporate credit union system. These will almost quadruple your membership from 5,300 to more than 18,000.

Based on these recent changes in policy and also recent changes in credit union's liquidity, do you still believe the $600 million is sufficient?

Mr. CALLAHAN. Yes, Mr. Chairman. We feel that in the next 12 months, while there will be increased borrowing by credit union members, bringing more pressure on their liquidity, that we should be able to cope with it. Should the environment change radically, we would have ample time to come back to Congress for an increase in that limit.

Senator GARN. What was your request to OMB for obligational authority for fiscal year 1985?

Mr. FILSON. The same thing.

Senator GARN. I didn't know whether they had chopped you up or not.

PERSONNEL RESOURCES

For fiscal year 1985 you are requesting $325,000 for personnel compensation. You are also requesting eight positions in fiscal year 1985, which is the same as fiscal year 1984.

Given that you will have the same number of positions, how will you be able to maintain your personnel services funding at the same level as fiscal year 1984?

Mr. FILSON. Of the eight positions, four are full time paid by the CLF and four have part of their salaries charged to other parts of the agency where they spend part of their time. We anticipate continuing to charge part of those other employees' time to other parts of the agency reflecting the time they spend there, and, therefore, intend to be able to keep the appropriation limit within the $325,000, unless there should be a dramatic change in CLF activity requiring their full-time commitment in the CLF.

PROTRACTED LOAN ACTIVITY

Senator GARN. Your justification indicated that the facility helped borrowers restructure their long-term protracted loans and thereby shorten maturities.

Could you please explain the type of restructuring that has occurred and the role that the CLF has played in this restructuring? What activities are you proposing for fiscal year 1985?

Mr. FILSON. We are not proposing any specific protracted loan programs for 1985. A protracted loan is basically a loan that has a maturity of greater than 1 year. It is generally done in response to a specific credit union circumstance.

The loans that were put on the books between 1980 and 1982 that qualify as protracted loans were fixed-rate loans that had maturities primarily in early 1984. As interest rates came down in 1982, late 1982, and stabilized in 1983, the rates at which those fixed-rate loans were made became noncompetitive with the interest rate environment that then prevailed. The CLF was able to short fund the loans that had been made at fixed rates and give those borrowers an opportunity to replace those fixed-rate, fixed-term loans with funds they were getting from their own members and in other cases from the private corporate credit union system.

Our ability to short fund—that is, to give the borrowers the opportunity to get out of their commitment prior to maturity—was the primary contribution we made to their being able to pay off ahead of the maturity date.

PRIVATE-SECTOR BACKUP LIQUIDITY

Senator GARN. In your budget justification you state that by working through the private sector, CLF can provide a permanent source of backup liquidity. What specific plans do you have to involve the private sector?

Mr. FILSON. The primary contribution the 42 corporate credit unions made with the U.S. Central as the hub is the delivery or distribution system by which we keep in contact and have the ability to make loans to 18,000 natural person credit unions. This private corporation system is in touch with these credit unions on a daily basis. They have established investment and operating systems which would cost us quite a bit of money to duplicate. It doesn't make any sense to duplicate that distribution.

Our plan is to work with the distribution system that is in place so that when the natural person credit unions have loan demand, we can funnel that through the wholesale system that is already in place rather than duplicating that wholesale system ourselves.

Senator GARN. Mr. Callahan, I want to personally thank you for your help in getting the $850 million package worked out. Without it, we wouldn't have been able to work it as smoothly as it has gone.

SUBMITTED QUESTIONS

I don't have any additional questions for you today. I do have an additional nine pages of questions for the record.

Thank you very much for being here today.

Mr. CALLAHAN. Let me take the opportunity to thank you, Mr. Chairman. I think this is going to be a great benefit to all of the credit unions in this country. I am glad it fits so well with the need we have in Congress right now. Thank you.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

NEW LOAN ACTIVITY

Could you please provide for the record the total number and dollar value of new loans initiated in FY 83?

Answer:

Period	Number	Dollar Value of New Loans
FY 1983	68	$194,445,608

The total number and dollar value of new loans initiated during the first and second quarter of FY 84 and your estimate for the remainder of FY 84?

Answer:

Period	Number	Dollar Value of New Loans
FY 1984 1st Qtr.	13	$38,400,000
FY 1984 2nd Qtr.	8	22,700,000
FY 1984 est. 3rd and 4th Qtrs.	10	61,100,000

LOANS IN ARREARS

Question: Could you please provide for the record the total number and dollar value of any loans in arrears during FY 83?

Answer: There were no loans in arrears during FY 83.

Question: Could you provide the same data for the first and second quarter of FY 84?

Answer: There were no loans in arrears for the first two quarters of FY 84.

PROTRACTED LOAN PROGRAM

Last year during your hearing, I asked you to list the amounts of each of your "Protracted Loans and the Maturity Dates".

Question: What is the current status of the these loans you identified last year and could you please provide an updated list for the record?

Answer:			
	Mather FCU	$24,000,000	Paid in Full
	Eglin FCU	$21,000,000	Current Balance $12,000,000 scheduled for payment in full on 5/9/84.
	Ft. Ord. FCU	$10,500,000	Current balance $10,300,000, anticipated payment in full on 6/24/84.

LENDING ACTIVITIES AND INTEREST RATES

On page 3 of your budget justification, you provide some examples of the situations in which the Central Liquidity Facility lent money to its members during FY 83.

Question: What was the average interest rate charged during FY 83?

Answer: 10.3%

Question: What is your current interest rate?

Answer: 11.25%

Question: How does the Central Liquidity Facility set its interest rates?

Answer: First, the factors which are considered in setting rates are the cost of funds from the Federal Financing Bank. We try to stay at least 100 basis points (1.00%) higher. Secondly, the interest rates charged by our agent corporates - again we try to price on the corporate average so as not to undercut their primary role of lending to credit unions.

REPROGRAMMING OF ADMINISTRATIVE EXPENSES

As you know, use of Personnel, Compensation and Benefits (PC&B) funds for other purposes requires, under Section 401, the approval of the Appropriations Committees.

Question: Do you intend to use PC&B funds for other purposes in FY 84 and if so, have you submitted the required request?

Answer: We do not intend to use PC&B funds in FY 84 for any other purposes.

DIVIDENDS

Question: What dividends have you declared in the first quarter of FY 84 and in the second quarter of FY 84?

Answer: We paid a 9% dividend in both the first and second quarter of FY 84.

Question: What are your projections for the remainder of FY 84?

Answer: Based on the current level of short term interest rates, it is projected that the CLF would pay dividends in the 9.5% - 10.00% range in the final 2 quarters of FY 84.

CENTRAL LIQUIDITY FACILITY - ADMINISTRATIVE EXPENSES

At our FY 83 hearing, you testified that the Central Liquidity Facility would require $1,368,000 for administrative expenses during FY 83. Subsequently, you requested that we reduce this amount to $650,000. This represents a reduction of over 50% from your earlier estimate.

For FY 84, you requested and we provided $850,000. Your FY 85 request is for $850,000.

Question: What is the basis for this projection and what was your request to The Office of Management and Budget for FY 85?

Answer: Our projection is based on the assumption that the Central Liquidity Facility will require the same operational support in FY 85 as in FY 84. The request to OMB for FY 85 was $850,000.

CREDIT UNION DEPOSITS AND LOAN ACTIVITY

You note that in the last six months, deposits at corporates declined by 18% while loans rose over 300% during the same period.

Question: Is this trend still continuing?

Answer: Between November 30 and February 29, deposits declined by 2.5%. Loans, which increased to $139 million in December, declined to $107 million as of February 29. Over the past year, deposits declined by over 7% while loans increased by 312%.

Question: What implication does this have for your activities during the remainder of FY 84 and during FY 85?

Answer: If the consumer spending during the economic recovery continues, the natural person credit unions will continue to draw down the liquidity levels at the corporates. This liquidity drawdown could result in special situations during FY 84 and FY 85 where the CLF can act as a back-up source of funds either for a direct member or the corporate system.

INCOME TAXES

Your financial conditions table on Page 9 of your justification does not show any income tax deduction for FY 84 and FY 85.

Question: Based on this income statement, how much would you have to set-aside for taxes in each of these years?

Answer:	FY 84	$302,000
	FY 85	$302,000

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

Question: You note that 90 percent of all credit unions will have access to CLF financiang. Why do 10 percent of credit unions not have such access?

Answer: As membership in the CLF is voluntary, all credit unions have access to the CLF at anytime by paying the statutory capitalization. We estimate that approximately 10% of credit unions have either elected not to join the CLF or have elected not to join a corporate central credit union that provides CLF membership to its credit unions.

Question: With interest rates in the range they are now, would you expect credit union earnings problems to be stablized in comparison with the 1980-82 period?

Answer: The problems directly resulting from economic conditions are somewhat lessened. Problems due to poor judgment or mismanagement continue at approximately the same level. On balance, we have seen a reduction in the number of problem case credit unions. For example, the number of credit unions in problem code status (EWS 4 or 5) at calendar yearend 1983 was 743, down by 17% from the 1981 high of 895. The reduction in EWS code 5 is more dramatic, from a 1980 level of 223 to 97 at the end of 1983.

Question: Your reduction in operating expenses is rather significant. Is your "in-house" computer system comparable to services you were getting under contract?

Answer: Yes, the services provided by the "in-house" computer system is comparable to the services we were getting under contract. We developed software that mirrored the program requirements.

Question: What types of staff positions have you eliminated?

Answer: The CLF eliminated the following staff positions:

Assistant to the President
Executive Vice President
Staff Accountants (2)

In addition, time of several of CLF employees is allocated between the CLF and other operating departments in NCUA. This provides management the flexibility to utilize its resources in the most efficient manner.

Question: Why did the IRS deny your tax exemption?

Answer: In a letter dated October 3, 1983, the IRS stated "the Chief, Technical Staff, EP/EO Division concluded that they had no jurisdiction to consider an exemption." "In essence, specific legislation is required if CLF is to be exempt from Federal income tax."

Question: How was NCUA's tax liability of $1.1 million calculated — in general terms?

Answer: The tax liability was calculated at 25.75% of the first $100,000 of taxable income and 46% of excess over $100,000. Taxable income of $2.6 million represents gross income reduced by operating expenses, cost of borrowed funds, and dividends to members.

Question: Most credit union loans are for consumer goods. Are autos the principal item?

Answer: Auto loans are a major type consumer loan for credit unions. In addition, other major type loans are unsecured loans and open-end credit for a variety of purposes.

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

STATEMENT OF MICHAEL F. HILL, DIRECTOR

ACCOMPANIED BY:

- **ROBERT W. RAFUSE, JR., DEPUTY ASSISTANT SECRETARY (STATE AND LOCAL FINANCE)**
- **KENT A. PETERSON, DEPUTY DIRECTOR, OFFICE OF REVENUE SHARING**
- **CHARLES V. McFADDEN, DEPUTY ASSISTANT DIRECTOR (FINANCIAL MANAGEMENT)**
- **JOHN J. LIVELY, DIRECTOR (FINANCIAL MANAGEMENT)**

BUDGET REQUEST

Senator GARN. Next we have the Department of Treasury, Office of Revenue Sharing and the New York City Loan Guarantee Program Office.

Gentlemen, we are happy to have you with us today.

Title I of the State and Local Fiscal Assistance Act, as amended, provides for the distribution of $4.57 billion in fiscal year 1985 to approximately 39,000 units of local government. This year you are requesting $7,941,000 and 137 permanent positions to cover your salaries and expenses. This is an increase of $513,000 over the fiscal year 1984 appropriations.

Please proceed with a summary of your statement.

INTRODUCTION OF ASSOCIATES

Mr. HILL. Thank you, Mr. Chairman. We appreciate the opportunity to appear before you today. If you don't mind, I would like to introduce my colleagues.

Senator GARN. Certainly.

Mr. HILL. On my far right is Mr. Robert Rafuse, who is the Deputy Assistant Secretary for State and Local Finance. On my immediate right is Dr. Kent Peterson, who is the Deputy Director of the Office of Revenue Sharing. On my left is Mr. Charles McFadden, who is Deputy Assistant Director of the Office of Financial Management of the Office of the Secretary. On the far left is Mr. John Lively, who is the Director of the Office of Financial Management.

I also have some members of my staff in the room. If necessary, I would like permission to call upon them to respond to any of your questions.

Senator GARN. Certainly.

PREPARED STATEMENT

Mr. HILL. If you have no objection, I would like to submit my written statement for the record and try to summarize very briefly.

Senator GARN. I not only have no objection, I would appreciate it. [Laughter.]

Mr. HILL. Thank you, sir.

[The statement follows:]

STATEMENT OF MICHAEL F. HILL
DIRECTOR, OFFICE OF REVENUE SHARING
U.S. DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON HUD - INDEPENDENT AGENCIES
SENATE APPROPRIATIONS COMMITTEE

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to discuss the appropriation request for fiscal year 1985 of the Treasury Department, Office of Revenue Sharing.

Appearing with me are:

Robert W. Rafuse, Jr., Deputy Assistant Secretary (State and Local Finance)
Kent A. Peterson, Deputy Director, Office of Revenue Sharing
John J. Lively, Director (Financial Management)
Charles V. McFadden, Deputy Director (Financial Management)

In addition, I have with me several key members of the staff of the Office of Revenue Sharing upon whom I may call for information when appropriate.

Program Mission and Responsibilities

The Office of Revenue Sharing, a unit within the Office of the Secretary of the Treasury, administers the Revenue Sharing Program. The Program was established by the State and Local Fiscal Assistance Act of 1972 and reauthorized in 1976, 1980, and 1983. Payments to local governments under the Program are currently authorized through September 1986 at an annual funding level of $4.6 billion, the same as that authorized and appropriated for fiscal years 1981-84.

The Revenue Sharing Program provides general fiscal assistance, distributed by statutory formulas, to approximately 40,000 general-purpose local governments. The payments may be expended by a recipient government for any purposes permissible under its State and local laws, providing that the government adheres to certain nondiscrimination, audit, and public-participation requirements specified in the legislation.

The resources of the Office of Revenue Sharing are primarily devoted to two major tasks: making payments and ensuring compliance with the nondiscrimination, audit, and public-participation standards of the Revenue Sharing law. The first task involves obtaining and reviewing the data used in the allocation formulas; computing allocations; making, controlling, and documenting payments; and providing for the collection and control of required forms and information.

Recent Activities

During FY 1983, a major effort by the Office was required to respond to issues raised in the course of the reauthorization of the Program. The contributions of the Office to the process included numerous drafts of proposed legislation, 22 computer trial allocations, and 130 formula analyses.

In FY 1984, we will be concentrating on implementation of the changes in the Program enacted by the Congress last year. This will include the issuance of regulations, procedural modifications to improve the efficiency and security of payment allocations, provision of assistance to governments in dealing with the technical amendments approved last year, and prompt responses to challenges by governments to the accuracy of allocation data. The data program is conducted jointly with the Bureau of the Census.

During the past year, the Office continued its administration of the audit provisions of the Act. This effort includes: review of the professional practices of State audit agencies and the independent public accountants that conduct audits of recipient governments, reviews and audit reports sent directly to the Office of Revenue Sharing, and the processing of instances of noncompliance reported by auditors. FY 1983 also marked the first full year of implementation of the single-audit program sponsored by the Office of Management and Budget in which local governments are able to meet the Revenue Sharing audit requirements by submission of audits complying with OMB Circular A-102 - Attachment P.

We have also continued to emphasize, during fiscal years 1983 and 1984, management initiatives to improve the quality and timeliness of our processing of discrimination cases and to ensure that existing compliance agreements are monitored. These efforts have reduced the backlog of unresolved discrimination cases. During FY 1983, approximately 253 cases were resolved, leaving a backlog of 757 cases on September 30, 1983, compared with over 1,000 at the end of FY 1981.

In 1983, the Treasury Task Force of the President's Private Sector Survey on Cost Control (the Grace Commission) recommended that the Office look into the possible use of State and local agencies to conduct investigations. A pilot project is being initiated in 1984 to test the feasibility of this approach. Agreements to perform such investigations will be entered into with several such agencies, and selected complaints will be referred for investigation. In FY 1985, assuming the pilot project demonstrated the cost-effectiveness and professional quality of the approach, the project will be expanded, as indicated in our budget request. We plan to refer as many as 50 complaints during FY 1984 for investigation by State civil rights agencies. The Office of Revenue Sharing will retain the final decison-making authority on the resolution of these State-investigated complaints.

During FY 1983, the Office of Revenue Sharing has increased the efficiency with which it processes cases arising from its responsibilty to ensure the compliance of recipient governments with the public-participation provisions of the Act. A total of 726 cases involving violations of public-notice and hearing requirements were closed in the two prior fiscal years. We hope to increase productivity further, partly through the increased use of new word-processing equipment, during FY 1984.

Finally, we have continued to devote considerable energies to achieving greater efficiency in our basic support and administrative activites. To this end, the Office has conducted vulnerabilility assessments of its operations and evaluated its internal controls and accounting systems as required by the Federal Managers' Financial Integrity Act. Also, a pilot system of office-wide word processors, terminals, and microcomputers will be established during FY 1984 to enhance internal communication, data compilation, and retrieval.

The Revenue Sharing Studies

One of the most significant actions of the Congress in reauthorizing the Revenue Sharing Program in 1983 was approval of a provision directing the Secretary of the Treasury to undertake a set of special studies of Federal-State-local government fiscal relations. The studies are to be conducted in consultation with -- and we hope, with the active cooperation of -- the Secretary of Commerce, the Comptroller General, the Advisory Commission on Intergovernmental Relations, and State-local officials. A final report is to be provided to the President and the Congress no later than June 30, 1985.

The legislation directing the studies authorizes appropriations in fiscal years 1984 and 1985 of not to exceed three percent of the administrative budget of the Office of Revenue Sharing in the preceding fiscal year. This amounts to a total of approximately $430,000 over the two years ($210,000 and $220,000, respectively). It is clear from the legislative history of the study mandate, however, that the intent of the Congress was that the actual cost of the studies would be far higher than the authorized appropriations, and that -- therefore -- the bulk of the resources for the studies would take the form of "in-kind" contributions by Treasury, the other Federal agencies, and even State-local organizations.

The Secretary has assigned the responsibility for planning and management of the studies to the Deputy Assistant Secretary (State and Local Finance). I am pleased to report that the preliminary plans for the studies are nearly completed, and that we expect to begin a series of briefings for Congressional staff and other interested parties in the near future. I am also pleased to report that it currently appears that appropriations for the studies in excess of that currently in effect for the Office of Revenue Sharing for FY 1984 and that proposed for FY 1985, which I am before you today to discuss, will not be necessary.

As you know, standard-level user charges (SLUC) have been capped in FY 1984 by Public Law 98-107 at their level in FY 1982 plus 14 percent for inflation. At the level at which these charges are funded in the appropriation for the Office of Revenue Sharing for FY 1984, this frees up about $400,000. Our intention is to reprogram these funds to cover the bulk of the additional costs of the studies. A request for the authority to undertake this reprogramming of FY 1984 funds will be provided to you in the near future.

We are in the process of reviewing the FY 1985 budget request with a view to identify the ways our priorities can be modified to free up the remaining funds required for the studies, thereby avoiding the need to request additional funds. Our preliminary plans for the studies suggest that approximately $30,000 of the FY 1985 appropriation request will have to be reallocated to come up with the remaining funds required to finance the studies at the level of additional resources contemplated by the Congress. It is, of course, possible that because of developments not now anticipated, additional funding will be necessary to complete the studies. You will be advised immediately should any such eventuality materialize.

Office of Revenue Sharing, Salaries and Expenses

Today we appear before you, Mr. Chairman, to request for FY 1985 $7,941,000 and 137 authorized permanent positions for "Salaries and Expenses." This submission represents a net increase of $513,000 over FY 1984. No increase is requested in the number of permanent positions.

The increase in funding includes a gross rise of $663,000 for maintaining current-service levels and $250,000 for contracting of Civil Rights investigations to State and local agencies as recommended by the Grace Commission. When $400,000 in non-recurring costs incurred in FY 1984 to implement reauthorization are allowed for, the result is a net increase of $513,000.

My colleagues and I will be happy to respond to any questions you may have.

SUMMARY OF STATEMENT

Mr. HILL. In fiscal year 1985, the Office of Revenue Sharing is requesting a budget of $7,941,000 and 137 authorized positions. With one exception, this request reflects a current services budget with a net increase of $513,000. That is $513,000 over the fiscal year 1984 level of $7,428,000.

This budget does not request an increase in the number of authorized permanent positions.

The increase in funding includes a gross rise of $663,000 for maintenance of current service levels. However, with $400,000 in nonrecurring costs incurred in 1984 to implement reauthorization allowed for, the net increase to maintain current service levels for fiscal year 1985 is $263,000. This amount, when added to our request for $250,000 to be used for the civil rights investigations by State agencies, equals the $513,000.

The request for $250,000 for the civil rights project is the one exception mentioned earlier to our current services request.

TASK FORCE

In 1983, the Treasury Task Force of the President's Private Sector Survey on Cost Control—better known as the Grace Commission—recommended that the Office of Revenue Sharing look into the possibility of using State and local agencies to conduct civil rights investigations. The same recommendation, I might add, is in our current statute.

A pilot project is being initiated in 1984 to test the feasibility of this approach. Agreements to perform such investigations will be entered into with several State agencies and selected complaints will be referred for investigation.

Assuming the pilot project is a success in terms of cost effectiveness and professional quality, the project, as our budget request indicates, will be significantly expanded during fiscal year 1985.

The Office of Revenue Sharing, in all cases, will retain the final decisionmaking authority on the resolution of these complaints.

REVENUE-SHARING PROGRAM

One other project deserves reference. The Congress in reauthorizing the revenue-sharing program has directed the Secretary of the Treasury to undertake a set of special studies of Federal-State-local government fiscal relations. The legislation directing these studies authorizes appropriations in fiscal year 1984 and 1985 not to exceed 3 percent of the administrative budget of the Office of Revenue Sharing for the preceding fiscal year. This amounts to a total of $430,000 over the next 2 years. A final report is to be presented to the President and the Congress no later than June 30, 1985. The Secretary has assigned the responsibility for the planning and the management of the studies to the Deputy Assistant Secretary for State and Local Finance.

Preliminary plans for the studies are nearly complete. It is our intention to fund this project for fiscal year 1984 with existing funds and for fiscal year 1985 from funds within the budget request before you.

As you know, the standard level user charges have been capped in fiscal year 1984 at their fiscal year 1982 level, plus 14 percent for inflation. This frees up approximately $400,000 which we hope to use to fund the studies.

A request for the authority to undertake this reprogramming of fiscal year 1984 funds will be presented to you shortly.

My colleagues and I will be happy to answer any questions that you may have. Thank you.

Senator GARN. Thank you.

PERCENT OF LOCAL GOVERNMENT TAXES AND LOCAL BUDGET COMING FROM REVENUE SHARING

Would you compare the percentage of revenue sharing funds that represents local government tax collections and the percentage of local governments' total budgets?

Mr. HILL. Yes, Mr. Chairman. For fiscal year 1982, which is the most current data that we have, in terms of taxes for 1982, it was 7.0 percent. In terms of budget expenditures, it was 2.5 percent. In 1981, in terms of taxes, it was 7.6 percent. In terms of expenditures, it was 2.7 percent.

I can go back to 1975. In 1975, in terms of taxes, it was 11.5 percent and, in terms of the budget expenditures, 5 percent. So there has been a decrease over the years in both areas.

FISCAL CONDITION OF STATES

Senator GARN. What is your assessment of the fiscal condition of States and local governments compared to this time last year?

Mr. HILL. If you have no objection, Mr. Chairman, I would like Mr. Rafuse to respond to that question.

Senator GARN. That is fine.

Mr. RAFUSE. Senator, I would like to be a bit briefer than I may have been in past years. Perhaps I could provide additional information for the record.

Senator GARN. Certainly.

Mr. RAFUSE. Last year I observed that, although the economic recovery was well underway, my forecast of the previous year had been a bit overoptimistic because the recovery had been a bit delayed. But last year I said the outlook was very bright. In fact, that is what has transpired.

The fiscal condition of the State and local sector has improved much more rapidly in the past year than I or, as far as I know, anyone else anticipated. The most widely cited evidence of the overall health of the sector is the improvement in the national income account data. Specifically, the net position of the State and local sector as measured by what is referred to as the other funds, surplus or deficit—that is, excluding social insurance funds—has swung from a deficit of nearly $2 billion in 1982 to a surplus of about $15 billion in 1983.

This figure has been much cited. For example, Secretary Regan has cited it by comparison with the Federal deficit and has suggested that this indicates that the State and local sector is in a position to contribute substantially to the financing of the national deficit. In fact, it is true.

Three basic factors account for this virtually unprecedented swing from deficit to a surplus. The first is, of course, the economic recovery of the past year, which has been somewhat stronger than was anticipated.

The second factor is the continued restraint on the expenditures side that State and local governments have exercised.

The third factor is the substantial, virtually unprecedented, degree of tax increasing that was undertaken by the sector, especially State governments, in late 1982 and 1983.

The confluence of these three considerations is what essentially accounts for the $15 billion surplus.

On the expenditure side, in 1983 over 1982, total expenditures rose about 6 percent, but that was just barely enough to compensate for inflation. So, in fact, there was no increase in the real spending of State and local governments in 1983.

In 1983 as well, the recovery accounted for a majority of the gain in the receipts of the sector, other than Federal grants, for about 55 percent of the total gain by our estimates. The other 45 percent of the increase was accounted for by the tax increases that were enacted, especially in early 1983.

Total revenues collected by State and local governments from their own sources rose about 12 percent in 1983, which was nearly twice as large a percentage increase as the increase in personal income.

Those are the basic considerations. I think there are good reasons for believing that the very large surplus in 1983 is a temporary phenomenon, that, in fact, it will decline somewhat in 1984 as State and local governments begin to permit expenditures to grow more rapidly than inflation.

For a period of more than 5 years now, State and local expenditures in the aggregate have not grown in real terms. In fact, they have declined, which is a phenomenon that has not been observed in the whole post-war period.

Some of the tax increases have been enacted on a temporary basis. They will be expiring in 1984 and 1985, unless the State legislatures reverse those decisions. There probably will be some cutting of property taxes by local governments.

So the surplus is not going to stay at $15 billion. It is not a long-term, sustainable surplus. But I believe the outlook for the sector generally is healthy. As I said, I would be happy to elaborate for the record, but that is the essence of my response.

TREND TOWARD TAX INCREASES

Senator GARN. Are you aware of any nationwide trend relative to tax increases? If so, how would this affect the distribution of general revenue-sharing funds?

Mr. RAFUSE. Generally, as would be expected, the States that increased taxes tended to be the States that were having the most serious budgetary problems. Those were the States hardest hit by the recession, the States, especially in the upper Midwest and certain other areas of the country, that were hit by the recession.

Those States, with a year or two lag, because they have increased their taxes and their tax collections are rising more rapidly than those in other States, will have higher tax effort, and those increases in tax effort will be rewarded by the revenue-sharing formula. In the next year or so, they will be receiving larger payments than they otherwise would have; at the expense, of course, since it is a zero-sum game—we have a fixed appropriation—at the expense of the States that were not increasing taxes. We don't have a specific tabulation. We are working on one and perhaps we may be able this year to provide you with some indication of the general nature of the shift in spending.

REAUTHORIZATION OF REVENUE SHARING

Senator GARN. What suggestions, if any, would you have to make in terms of technical changes in the revenue-sharing law to improve the administration, the compliance or monitoring of the program?

Mr. HILL. Mr. Chairman, since the recent reauthorization focused primarily on technical changes, we don't have any suggested changes at this time.

CIVIL RIGHTS AREA

Senator GARN. Last year you stated that the backlog of unresolved discrimination cases had dropped to 700 as compared to a 1,000-case backlog at the end of fiscal year 1981. The size of the backlog at the end of fiscal year 1983 was 757. What goals have you established for 1984 and 1985 in terms of number of cases closed and the expected backlog?

Mr. HILL. We are anticipating by the end of the year to have reduced the backlog in civil rights to approximately 660 cases. For fiscal year 1985, we hope to reduce the backlog to 517.

Senator GARN. In fiscal year 1984 you allocated $50,000 for a pilot project for the Civil Rights Division. This project, recommended by the Grace Commission, would evaluate the feasibility and desirability of contracting out the investigations of discrimination cases in three States.

How will this fiscal year 1984 study relate in scheduling scope to the proposed $250,000 fiscal year 1985 contract for the same purpose?

Mr. HILL. The 1984 project, Mr. Chairman, is designed to assess the feasibility of referring more of these cases on a wider basis in 1985. If the project proves to be of quality and cost effectiveness, we will, as our budget request indicates, significantly expand that during 1985.

We anticipate referring approximately 50 complaints this year as part of the pilot project, and depending on how well that works, we will significantly expand that in 1985.

Senator GARN. How much would you expect to save in those 50?

Mr. HILL. What I really anticipate as being one of the results, or the primary result, in terms of cost effectiveness, Mr. Chairman, is an expansion of our ability to use existing resources to do a better job and focus our attention on other areas of civil rights enforcement.

Senator GARN. What are the benefits you anticipate from the manual for the investigation of discrimination cases that was developed under a $50,000 contract in fiscal year 1983?

Mr. HILL. My primary hope is that it will provide for the first time a real how-to-do-an-investigation manual, resulting in a reduction of the resolution time for complaints and an increase in productivity in terms of processing complaints.

STUDY OF FEDERAL/STATE/LOCAL FISCAL RELATIONS

Senator GARN. Public Law 98–145 directs the Secretary of the Treasury to undertake a very broad scope study of the Federal-State-local relationship. The study would investigate alternative formulas for revenue sharing, long-term fiscal projections for the three levels of government, return of revenue sources to state and local government, the impact of the economy on expenditures, and the impact of Federal assistance to the fiscal capabilities of state and local governments.

The bill authorizes expenditures of $430,000 over 2 years for the study. This hardly seems adequate for such a study or series of studies.

If the subcommittee approves your suggested reprogramming for this purpose, can you assure us that you will not be back in the future asking for more money to complete the study? Is it enough, too little, whatever?

Mr. HILL. Mr. Chairman, if you don't mind, since the prime mover of the studies is here, I would like Mr. Rafuse to address your questions.

Mr. RAFUSE. Senator, the premise of your question is certainly correct. It is indeed an ambitious and far-ranging agenda of work.

Our essential strategy for attacking it involves the mobilization of the existing resources of my staff and of the General Accounting Office, which is cooperating with us in these studies, of the Advisory Commission on Intergovernmental Relations and some of the staff of the Office of Revenue Sharing. We refer to these as in-kind contributions.

The actual resources devoted to the study far exceeds the $430,000. Essentially, that level of resources represents, in my judgment, a reasonable additional increment that will provide us with the flexibility to do a little bit of contracting out, to finance the special travel associated with the consultation arrangements and other operations, and also enable us to hire a few temporary staff to handle special aspects of the study.

Essentially, I believe, as Mr. Hill's statement indicates, that the level of additional resources that will be made available to us by the reprogramming that we are going to propose to you will be sufficient for the studies.

I am instructed by my boss to enter the caveat that there is always the possibility that something may come up that will argue for additional resources. I honestly don't anticipate any such thing at this point. We will, of course, be in touch with you as soon as any such eventuality arises. But our feeling now, and I feel strongly about it, is that the level of resources that was authorized reaching about $430,000 will be sufficient to respond effectively and constructively to the mandate of the Congress.

SUBMITTED QUESTIONS

Senator GARN. Mr. Hill, I have some additional questions I will submit to you for your response in writing.

[The following questions were not asked at the hearing but were submitted for response for the record:]

QUESTIONS SUBMITTED BY SENATOR GARN

STANDARD LEVEL USER CHARGES

Question: Are you anticipating a significant increase in the amount of space that you lease for FY 1985? Your payment to GSA for FY 1985 is going up 116% above FY 1984. Would you please explain the reason for this increase and also describe the status of the $400,000 unobligated SLUC balance from FY 1983.

Answer: We anticipate no increase in the amount of our leased space in FY 1985. As a result of the cap again in FY 1984 on standard level user charges (SLUC) by Public Law 98-107, our costs will be $302,000 rather than the $704,000 projected in our Congressional Submission. If we just compare our current FY 1984 projected costs (with the cap in effect) with the FY 1985 request, it does appear to be a significant increase. One must remember, though, that ORS was appropriated only $304,000 for SLUC in FY 1984. The balance of funds to meet the $704,000 projected costs were to come from FY 1983 reappropriated funds which expire September 30, 1984. The increase of $345,000 between the FY 1984 appropriation and the FY 1985 request represents only the funding necessary to meet our ongoing SLUC requirement. If we had, in fact, paid the full rate of $704,000 in FY 1984, the FY 1985 budget request of $649,000 would actually have represented a decrease of $55,000 due to the release of surplus space.

It is planned at this time to reprogram the $400,000 FY 1983/1984 unobligated SLUC balance to the Other Services category this year to be used to fund the bulk of the ORS Congressionally mandated studies of Federal-State-local government fiscal relations. A letter to that effect will be forthcoming to both the House and Senate Subcommittees.

CONSULTANTS AND EXPERTS

Question: How much do you expect to spend on consultants and experts in FY 1984 and FY 1985?

Answer: We anticipate expenditures of $146,000 in FY 1984 and $250,000 in FY 1985 for consulting and related services.

FY 1984

(a) $50,000 - Pilot Project for the Civil Rights Division of contracting investigations to State and local agencies, as recommended by the Treasury Task Force of the President's Private Sector Survey on Cost Control

(b) $60,000 - Audit Study to provide for peer review and evaluation of audit practices and procedures

(c) $20,000 - OMB Circular A-71 Study to provide a comprehensive risk analysis of computer facilities and sensitive computer systems in accord with Treasury guidelines for the enforcement of A-71

(d) $16,000 - Federal Manager's Integrity Act of 1982 Review

FY 1985

(a) $250,000 - Full implementation of the FY 1984 Pilot Project contracting civil rights investigations to State and local government agencies

SUPPLEMENTAL

Question: Your budget justification indicates a proposed FY 1984 pay supplemental of $150,000. How much of your increased pay costs will you be able to absorb? Is it possible for you to use a portion of the FY 1983 unobligated balance carried forward into FY 1984 to pay for the proposed pay supplemental? What would be the impact of Congress not approving this supplemental request?

Answer: The $150,000 supplemental request represents 100% of the increased requirements to cover the costs of the FY 1984 Federal civilian pay raises effective in January 1984.

Yes, it is possible to use the FY 1983 unobligated balance fo the pay supplemental; however, it is planned at this time to reprogram the $400,000 FY 1983/1984 unobligated SLUC balance to the Other Services category to be used to fund the bulk of the ORS Congressionally mandated studies of Federal-State-local government fiscal relations. Use of the SLUC funds in this manner would be in lieu of requesting a program supplemental for the studies. A letter to this effect will be forthcoming to both the House and Senate Subcommittees.

Should the supplemental request for pay not be approved, the Office would have to consider other ways of financing the studies. These might include a reassessment of financial plan priorities, additional requests for reprogramming or supplemental funding, or personnel staffing changes.

FISCAL CONDITION OF STATES

Question: What is your assessment of the fiscal condition of States and local governments compared with this time last year? Have you detected any nationwide trend relative to tax increases and how is this likely to affect the distribution of Revenue Sharing funds?

Answer: Last year I observed that, though the situation was tight, the outlook was bright. The fiscal condition of the State-local sector has improved more rapidly than I (or anyone else) anticipated. Three factors are primarily responsible: (1) The economic recovery, which is proceeding at a pace considerably stronger than expected; (2) tax increases, enacted in 1982 and

1983, largely by the States; and (3) continues restraint in the growth of State and local expenditures for the fifth straight year.

-- The most widely cited evidence of the improvement in the fiscal health of the State-local sector is the swing in its net operating position in the NIA from a nearly-$2-billion deficit in 1982 to a $15-billion surplus in 1983.

-- State-local expenditures rose slightly less than 6% in 1983, just enough to compensate for inflation. (Between 1978 and 1983, State-local expenditures per capita, adjusted for inflation, declined nearly 7%: a dramatic reversal of the average rate of growth in real per capita outlays of more than 3% per year achieved during the period 1950-78.)

-- The recovery accounted for the bulk of the strong gains in State-local receipts. The nearly 12% rise in 1983 receipts from own sources was 86% larger than the growth rate in personal income. Personal income rose by 6.3 percent, while own-sources revenues rose by 11.7 percent.

-- The importance of the tax increases in 1982 and 1983 is suggested by the estimate of my staff that as much as 45% of the entire rise in own receipts in 1983 was attributable to those increases. (This implies that rate increases and new adoptions accounted for a rise of more than 5% in own State-local revenues in 1983.)

-- Federal grants rose 3.1 percent in 1983, a modest reversal of the 5 perent decline in 1982.

In sum, the outlook remains bright. Federal grants are projected to rise about 6% in 1984, and the economic recovery should continue to produce rapid gains in own revenues.

Many States and localities in the past year have been rebuilding fund balances, which were depleted to dangerously low levels during the 1980-82 recessions. Many now face the happier choices of plenty--whether to decrease taxes or to begin restoring some of the substantial reductions in real expenditures that have been made during the past five years.

The Tax Revolt that began in 1978 appears to have ended in 1981. Between 1978 and 1981, State-local tax collections dropped as a proportion of personal income from 11.5% to 10.5%, the first significant decline in decades--in 1950, the ratio was only 6.9%. The increases in State-local taxes in 1982 and 1983 returned to the ratio to 11.1% in 1983, suggesting that those increases offset more than half of the cuts enacted during the Tax Revolt; however, the next few years are likely to see some rollbacks of the increases enacted in 1982 and 1983. For example, one recent study suggests that more than half of the State tax increases enacted in 1983 were temporary and will expire in 1984 and 1985. Local governments are also expected to join the parade of tax reductions.

Expenditures will probably begin to grow in real terms this summer after fund balances have been rebuilt. The pace of increase will probably remain substantially below that expected in the real GNP (5.3 percent in 1984).

Unfortunately, we have not had the resources to compile the available information on the recent tax increases by state in a way that would enable me to suggest the likely consequences of recent developments for the allocation of Revenue Sharing payments. It is, of course, generally the case that the States that will decrease taxes this year and next can expect declines in Revenue Sharing two years after the declines are effective.

QUESTIONS SUBMITTED BY SENATOR HUDDLESTON

IMPLEMENTATION OF 1983 CHANGES

Question: You note that in fiscal year 1984 you are concentrating on implementation of changes enacted in 1983. Will the changes be fully implemented by the end of 1984? Have all new or revised regulations been issued?

Answer: Implementation of the technical amendments and changes in the public participation and economic dislocation provisions are expected to be completed in 1984. However, the change in the audit reporting requirement cannot be fully implemented until the reporting cycles of recipients affected by the change in reporting frequency have been established. The first reports under the new requirements will be due in June 1985. Also, the mandated studies of Federal/State/local fiscal relations will not be completed until June 1985.

The revised Revenue Sharing regulations have not yet been issued. They are undergoing internal review and should be issued before the end of 1984.

ALLOCATION DATA ACCURACY CHALLENGES

Question: How many challenges to the accuracy of allocation data have you had? How do you go about resolving these?

Answer: For Entitlement Period 15 (October 1, 1983 - September 30, 1984), the Office of Revenue Sharing has received to date 1,980 data challenges from State and local governments.

Each challenge is reviewed in the Office of Revenue Sharing to determine if documentation submitted with that challenge relates to the reference date requirements for the entitlement period, and if sufficient documentation is provided for review. Challenges with appropriate supporting documentation are referred to the Federal agency that provided the original data (usually the Bureau of the Census). As soon as the issue is resolved by that

Agency, the Office of Revenue Sharing notifies the government of the results of that review. If data revisions are made, they are included in a reallocation for the appropriate entitlement periods and adjustments are made to the payments of all governments affected by the revisions in the following entitlement period.

Challenges with insufficient or inappropriate documentation are rejected by the Office of Revenue Sharing. The government is advised of this action and given the opportunity to resubmit its challenge through the statutory challenge period which ends one year after the end of the entitlement period to which the questioned data apply.

INVESTIGATIONS BY STATE AND LOCAL AGENCIES

Question: The Grace Commission recommended the possible use of state and local agencies to conduct investigations. What types of state and local agencies would be used? How would reimbursement be determined?

Answer: The Office of Revenue Sharing will use State Human Rights Agencies (sometimes called "Human Relations Commissions" or "Civil Rights Commissions") to conduct investigations. The agencies selected will meet three threshold criteria -- (1) the Agency must be certified by the Equal Employment Opportunity Commission as able to investigate and resolve cases alleging employment discrimination in accordance with federal standards; (2) the agency must be adjudged by the Department of Housing and Urban Development as capable of enforcing federal fair housing laws; and, (3) the agency must not be a part of any government which is currently receiving revenue sharing funds. Thirty-one states have State agencies which meet the first two criteria; the latter criterion eliminates all local agencies for consideration as referral recipients.

Reimbursement will be determined by the degree of complexity of the referred case. The Office of Revenue Sharing has classified cases into one of four possible difficulty levels for years, and this will be the basis for deciding the reimbursement costs for each case.

PUBLIC NOTICE AND HEARING REQUIREMENT VIOLATIONS

Question: How are public notice hearing requirement violations generally brought to your attention? How do you usually resolve or close cases involving violations?

Answer: Citizen complaints and government audit report findings are the primary source of noncompliance allegations. Since the beginning of fiscal year 1981, the Office of Revenue Sharing has received 4,133 such allegations - 5.4% citizen complaints and 94.6% audit report findings.

The investigative processes for both citizen complaints and audit report findings are basically the same. The only exception being that the investigation of an audit report finding does not involve a complaint or complainant correspondence. If a complaint is valid, or an audit report citing noncompliance is filed, the chief executive officer of the recipient government is requested in writing to provide documentation to prove compliance with the notice and hearing requirements of Subpart B. This action is limited to the latest appropriation of revenue sharing funds only. If sufficient evidence is received to prove compliance, the recipient government is advised of the fact and the case is closed.

However, if documentation submitted by the recipient government fails to support compliance, the chief executive officer is so advised in writing and requested to take corrective actions to voluntarily achieve compliance. There are two methods used to take corrective actions: submission of a compliance plan and reimbursement of the trust fund.

The compliance plan consists of draft public notices for newspaper publication. The process of developing the plan serves as a remedial exercise to evidence the recipient government's understanding of and willingness to comply with the public participation regulations in the future.

Trust fund reimbursement is directed only if the incident of noncompliance is discovered by ORS with four months of the recipient's appropriation action. All entitlement funds which have been appropriated, but not spent, are to be returned to the recipient's local revenue sharing trust fund account. The government is further directed to publicize and conduct the required hearing before re-appropriating the entitlement funds.

Action is taken to close the case after receipt of a satisfactory compliance plan or evidence of trust fund reimbursement. The chief executive officer is advised in writing that the documentation provided is acceptable and the case is closed.

Voluntary compliance has been achieved in 100 percent of the cases without recourse being made to the administrative hearing process.

"IN-KIND" CONTRIBUTIONS TO STUDIES

Question: What do you currently anticipate in terms of "in-kind" contributions to the Federal-State-local governments fiscal relations studies directed by the reauthorization legislation?

Answer: We currently anticipate that the General Accounting Office, the Advisory Commission on Intergovernmental Relations, the Department of Commerce, and the Treasury will provide about $1.2 million of "in-kind" contributions to conduct the mandated studies of Federal-State-local fiscal relations. These contributions do not reflect a fundamental reprogramming of the activities of the agencies. Rather, they involve modifications of the scope and timing of planned work so that it supports the objectives of the study amendment. For example, the General Accounting Office has been pursuing a long-term program of studies of grant formulas. Relatively modest changes in these efforts were made so that its research results will feed directly into the study process.

PROJECTED TOTAL COST OF STUDIES

Question: What do you now project as the total cost of the studies directed by the reauthorization legislation?

Answer: We project the total cost of the studies to be about $1.6 million. This comprehends about $430,000 of spending funded by reprogramming of the budget of the Office of Revenue Sharing, as described in our testimony, and $1.2 million of in-kind contributions.

NEW YORK CITY LOAN GUARANTEE PROGRAM

STATEMENT OF ROBERT W. RAFUSE, JR., DEPUTY ASSISTANT SECRETARY (STATE AND LOCAL FINANCE)

OPENING REMARKS

Senator GARN. We will turn to the New York City Loan Guarantee Program.

Although the Secretary's authority to issue guarantees expired on June 30, 1982 and the administrative expenses of the Loan Guarantee Program were shifted to the Office of the Secretary, the subcommittee still continues to be concerned with the Secretary's responsibility to monitor the program until the city's obligations are fulfilled.

Do you have any general comments on the status of the New York City Loan Guarantee Program?

Mr. RAFUSE. Senator, with the issuance of the final authorized guarantees back in 1982, the program is essentially closed out as far as new activity is concerned. Our focus, of course, includes a number of monitoring responsibilities that are inherent in the act.

But the only major provision that is engaging much of our attention now is the provision for the city to prepay the guaranteed obligations. In addition to paying off bonds as they mature according to the original schedules, they are obligated under the act to prepay, with the purpose of terminating the Federal Government's involvement in the city's financial affairs, as soon as possible.

The city has performed entirely effectively with respect to its basic obligations under the provisions mandating prepayment. They have incorporated the provision for 15 percent prepayments in their financing plans. The effect of realizing those plans, which we have every reason to believe will occur, will be to prepay obligations to the point where the currently outstanding maturities, which reach 1992 will, in fact, all be prepaid by the end of the city's fiscal year 1987.

So we should be entirely done with this program within essentially the next 3 years.

We are monitoring and meeting with the city with a view to making sure that that scenario in fact materializes. We have every reason to believe that it will.

FINANCIAL STATUS

Senator GARN. Beyond that specific issue and your responsibility, what is your analysis or sense of how New York City is doing in the financial sense? In other words, the question is, are they continuing to clean up their own act and do a better job?

Mr. Rafuse. In our judgment, there is every reason to believe that the city, for at least 3 years now, has been an exemplary municipality in terms of its financial operations. It has earned MFOA's certificate of conformance in financial reporting. It has had fully audited financial statements reflecting a GAAP balanced budget for the last 3 years.

The outlook for the current fiscal year is for a GAAP surplus of a substantial amount. The financial plans for the future reflect forecasts of balanced budgets. They no longer operate on the basis of projecting revenues that are substantially short of expenditures and trying to approach the problem with respect to trying to close that budget gap. They are, in every respect that I am familiar with, at the bottom line, operating in an exemplary fashion.

The outlook is bright. The economy is strong. We have every reason to believe that the recovery of the city from the serious fiscal problems of the mid-1970's is complete, and that the city looks forward to a bright fiscal future.

Senator Garn. They did it without Lee Iacocca, right? [Laughter.]

Mr. Rafuse. I am not sure if I had a choice between Iacocca and Mayor Koch which I would——

Senator Garn. They would make a devastating team. [Laughter.]

PREPAYMENT OF FEDERALLY GUARANTEED BONDS

Section 103(11)(A) of the act requires the city to prepay federally guaranteed bonds. Last year you noted the request from Mayor Koch to waive the prepayment requirements in fiscal year 1983 which was not approved by the Secretary.

Do you expect the city to ask for a waiver or modification of the prepayment requirement in fiscal year 1984?

Mr. Rafuse. I do not. As I indicated, the city has been including in its financial plans the level of prepayments required by that mandate. They have made good progress this year. To date they have accumulated about $155 million out of the $198 million of the estimated requirement for the prepayment.

So they have almost accumulated sufficient funds already in the current fiscal year to make the full level of prepayment that will be required by their projected bond issuances.

They will, as far as I know, and as their own plans reflect, do so in each fiscal year until 1987, when they will have completed the prepayment.

Senator Garn. Thank you, gentlemen. I have no additional questions today.

SUBCOMMITTEE RECESS

The subcommittee will stand in recess until Thursday, April 12, at 10 a.m., at which time we will take testimony from the Federal Emergency Management Agency and Federal Home Loan Bank Board.

Thank you very much.

Mr. HILL. Thank you very much.

[Whereupon, at 11:03 a.m. Thursday, April 5, the subcommittee was recessed to reconvene at 10 a.m. Thursday, April 12.]

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